

### **ING Belgium SA/NV**

(Incorporated with limited liability in Belgium)

EUR 10,000,000,000

**Residential Mortgage Pandbrieven Programme** 

Arranger

ING Bank N.V., Belgian Branch

Dealer

ING Bank N.V., Belgian Branch

The date of this Base Prospectus is 22 June 2016.

This document constitutes a base prospectus for the purposes of Article 29 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market (the **Belgian Prospectus Law**) and Article 5.4 of the Prospectus Directive (as defined herein) and has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*) (the **FSMA**) in its capacity as competent authority under article 23 of the Belgian Prospectus Law as a base prospectus (the **Base Prospectus**). This approval is not and should not be considered to be a judgement as to the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

Application has been made to Euronext Brussels for the Mortgage Pandbrieven issued under the Programme to be listed on Euronext Brussels. References in this Base Prospectus to the Mortgage Pandbrieven being listed (and all related references) shall mean that the Mortgage Pandbrieven have been listed on Euronext Brussels and admitted to trading on Euronext Brussels' regulated market. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2014/65/EC of the European Parliament and of the Council on markets in financial instruments (as amended, supplemented or replaced from time to time, the **Markets in Financial Instruments Directive** or **MiFID**).

#### ING BELGIUM SA/NV

## (Incorporated with limited liability in Belgium)

#### EUR 10,000,000,000 Residential Mortgage Pandbrieven Programme

Under this EUR 10,000,000,000 Residential Mortgage Pandbrieven Programme (the **Programme**), ING Belgium SA/NV (the **Issuer** or **ING**) may from time to time issue *Belgische pandbrieven/lettres de gage Belges* (**Mortgage Pandbrieven**) in Euro or in another currency as set out in the relevant Final Terms agreed between the Issuer and the relevant Dealers (as defined below). Any Mortgage Pandbrieven issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein.

The minimum specified denomination of any Mortgage Pandbrieven issued under this Base Prospectus shall be EUR 100,000

The maximum aggregate nominal amount of all Mortgage Pandbrieven from time to time outstanding will not exceed the amount of EUR 10,000,000,000, subject to increase as described herein.

The Mortgage Pandbrieven may be issued on a continuing basis to one or more of the Dealers specified under "General Description of the Programme" and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**). References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Mortgage Pandbrieven being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Mortgage Pandbrieven.

An investment in Mortgage Pandbrieven issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors". Investors should review and consider these risk factors carefully before purchasing any Mortgage Pandbrieven.

This document constitutes a base prospectus for the purposes of Article 29 of the Belgian Prospectus Law and Article 5.4 of the Prospectus Directive (as defined herein) and has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) (the **FSMA**) in its capacity as competent authority under article 23 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market (the **Belgian Prospectus Law**) as a base prospectus (the **Base Prospectus**). This approval is not and should not be considered to be a judgement as to the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

Application has also been made to Euronext Brussels for the Mortgage Pandbrieven to be listed on Euronext Brussels. References in this Base Prospectus to the Mortgage Pandbrieven being listed (and all related references) shall mean that the Mortgage Pandbrieven have been listed on Euronext Brussels and admitted to trading on Euronext Brussels' regulated market is a regulated market for the purposes of MiFID.

On 5 November 2013, the National Bank of Belgium (the **NBB**), as Supervisor, has admitted the Issuer to the list of credit institutions that are authorised to issue Belgian covered bonds and has admitted the Programme to the list of authorised programmes for issuance of Belgian covered bonds. Issuances made under the Programme shall be included in the list of the Belgian covered bonds (*Belgische covered bonds/covered bonds belges*) on the website of the Supervisor, which is at the date of this Base Prospectus at www.nbb.be (Prudential Supervision - Areas of Responsibility - Credit Institutions - Lists – Covered bond issuances carried out by the credit institutions).

The Base Prospectus is a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) and the Belgian Prospectus Law. It intends to give the information with regard to the Issuer and the Mortgage Pandbrieven, which according to the particular nature of the Issuer and the Mortgage Pandbrieven, is necessary to enable investors to make an informed assessment of the rights attaching to the Mortgage Pandbrieven and of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

Mortgage Pandbrieven may be issued in dematerialised form (the **Dematerialised Mortgage Pandbrieven**), in registered form (the **Registered Mortgage Pandbrieven**) or in such form as may be specified in the applicable Final Terms. Dematerialised Mortgage Pandbrieven will be issued in dematerialised form under the Belgian Company Code (*Wetboek van Vennootschappen/Code des Sociétés*) (the **Belgian Company Code**) and cannot be physically delivered. The Dematerialised Mortgage Pandbrieven will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the NBB or any successor thereto (the **Securities Settlement System**). Access to the Securities Settlement System is available through those of its Securities Settlement System participants whose membership extends to securities such as the Mortgage Pandbrieven. Securities Settlement System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**). Accordingly, the Dematerialised Mortgage Pandbrieven will be eligible to clear through, and therefore accepted by Euroclear and Clearstream, Luxembourg and investors can hold their Dematerialised Mortgage Pandbrieven within securities accounts in Euroclear and Clearstream, Luxembourg. Registered Mortgage Pandbrieven will be registered in a register maintained by the Issuer or a registrar on behalf of the Issuer (the **Registrar**) in accordance with Article 462 et seq. of the Belgian Company Code.

Unless otherwise stated, capitalised terms used in this Base Prospectus have the meanings set forth in this Base Prospectus. Where reference is made to the Conditions of the Mortgage Pandbrieven or to the Conditions, reference is made to the Terms and Conditions of the Mortgage Pandbrieven.

Notice of the aggregate nominal amount of Mortgage Pandbrieven, interest (if any) payable in respect of Mortgage Pandbrieven, the issue price of Mortgage Pandbrieven and certain other information which is applicable to each Tranche (as defined under

"Terms and Conditions of the Mortgage Pandbrieven") of Mortgage Pandbrieven will be set out in a final terms document (the **Final Terms**) which, with respect to Mortgage Pandbrieven to be listed on Euronext Brussels, will be filed with the FSMA. Copies of Final Terms in relation to Mortgage Pandbrieven to be listed on Euronext Brussels will also be published on the website of the Issuer (www.ing.be/investor-relations).

The Programme provides that Mortgage Pandbrieven may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s). In the case of Mortgage Pandbrieven which are to be admitted to trading on a regulated market (as defined in the Prospectus Directive) of a European Economic Area Member State other than the regulated market of Euronext Brussels (a **Host Member State**) the Issuer will request that the FSMA delivers to the competent authority of the Host Member State a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive. The Issuer may also issue unlisted Mortgage Pandbrieven and/or Mortgage Pandbrieven not admitted to trading on any market.

The rating of certain Series of Mortgage Pandbrieven to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Mortgage Pandbrieven will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009, as amended, (the **CRA Regulation**) will be disclosed in the applicable Final Terms.

The Mortgage Pandbrieven issued under the Programme are expected on issue to be assigned a rating by Fitch France S.A.S. or its successors (**Fitch**) and Moody's Investors Services Ltd or its successors (**Moody's**), each of which is established in the European Union and is registered under CRA. As such each of Fitch and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. Where a Series or a Tranche is rated, such rating will not necessarily be the same as the ratings assigned to other Series or Tranches. The Issuer may also issue Mortgage Pandbrieven which are unrated. Details of the ratings of the Mortgage Pandbrieven will be specified in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating organisation.

The issue price and amount of the relevant Mortgage Pandbrieven will be determined at the time of offering of each Tranche or Series based on, inter alia, the then prevailing market conditions and will be set out in the applicable Final Terms.

#### Arranger

ING Bank N.V., Belgian Branch

#### Dealer

ING Bank N.V., Belgian Branch

The date of this Base Prospectus is 22 June 2016. The Base Prospectus shall be valid for a period of one year from its date of approval.

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#### GENERAL DESCRIPTION OF THE PROGRAMME

The following general description (the **General Description**) does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Series or Tranche of Mortgage Pandbrieven, the applicable Final Terms. The Issuer may also from time to time issue Mortgage Pandbrieven under the Programme which are subject to terms and conditions and/or final terms not contemplated by this Base Prospectus or under a different prospectus or without prospectus. The relevant (form of) terms and conditions will, in such circumstances, be set out in a schedule to the Agency Agreement.

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

Words and expressions defined in the "Terms and Conditions of the Mortgage Pandbrieven" below or elsewhere in this Base Prospectus have the same meanings in this General Description.

#### **PRINCIPAL PARTIES**

ING Belgium SA/NV (ING or the Issuer), a credit institution existing

under the laws of the Kingdom of Belgium, with its registered office at 1000 Brussels, Avenue Marnix 24, Belgium, registered with the Crossroad Bank for enterprises under number RPM 0403.200.393,

Commercial Court of Brussels.

NBB licence to issue

The NBB has, as Supervisor, admitted the Issuer to the list of credit institutions that are authorised to issue Belgian covered bonds on 5

November 2013.

Supervisor The supervisor as defined in article 3, 4° Credit Institutions

Supervision Law in accordance with the SSM-Regulation (being, in respect of the Issuer, the NBB or as from the date of the actual transfer of powers to the ECB in view of the establishment of the

Single Supervision Mechanism (SSM), the ECB).

SSM-Regulation Council Regulation (EU) 1024/2013 of 15 October 2013 conferring

specific tasks on the European Central Bank concerning policies

relating to the prudential supervision of credit institutions.

Arranger ING Bank N.V., Belgian Branch (the Arranger).

Dealers ING Bank N.V., Belgian Branch and any other dealers appointed

from time to time in accordance with the Programme Agreement

(each, a **Dealer** and together, the **Dealers**).

Cover Pool Monitor

A reputable firm of independent auditors and accountants, not being the statutory auditor of the Issuer for the time being, appointed pursuant to the Cover Pool Monitor Agreement as an independent

cover pool monitor (portefeuillesurveillant/surveillant de portefeuille) (i) to issue periodic reports to the Supervisor on compliance by the Issuer with the Belgian Covered Bond Regulations (as defined herein), (ii) test compliance with the Issuer's undertaking not to include commercial mortgage loans, residential mortgage backed securities, commercial mortgage backed securities or other asset backed securities in the Special Estate, and (iii) to perform the

Statutory Tests both as provided for in the Belgian Covered Bond

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Regulations and in accordance with the requirements of the NBB, as Supervisor. The initial Cover Pool Monitor appointed under the Programme is Deloitte Bedrijfsrevisoren BCVBA represented by Frank Verhaegen with offices at Berkenlaan 8B, 1831 Diegem (the Cover Pool Monitor).

For further information see "Summary of the Belgian Covered Bond Regulations" and "Description of Principal Documents" below.

#### **Cover Pool Administrator**

In accordance with Article 8, §1 Annex III to the Credit Institutions Supervision Law the Supervisor may designate a cover pool administrator (portefeuillebeheerder/gestionnaire de portefeuille) in certain circumstances including (i) upon the adoption of the reorganisation measure under Article 236 of the Credit Institutions Supervision Law against the Issuer if such measure, in the opinion of the Supervisor, may negatively affect the Pandbrieven Holders, (ii) upon the initiation of winding-up proceedings against the Issuer, (iii) upon the removal of the Issuer from the list of Belgian covered bonds issuers or (iv) in circumstances where the situation of the Issuer is such that it may seriously affect the interest of the Pandbrieven Holders (the Cover Pool Administrator).

For further information see "Summary of the Belgian Covered Bond Regulations" and "Description of Principal Documents" below.

# Mortgage Pandbrieven Holders' Representative

Stichting ING Belgium Mortgage Pandbrieven Holders' Representative has been appointed as representative (vertegenwoordiger/représentant) of the Pandbrieven Holders in accordance with Article 14, §2 Annex III to the Credit Institutions Supervision Mortgage Pandbrieven Holders' Law (the Representative).

For further information see "Summary of the Belgian Covered Bond Regulations" and "Description of Principal Documents" below.

## **Hedging Counterparties**

The Issuer may, from time to time during the Programme, enter into Hedging Agreements with various swap providers to hedge certain risks (including, but not limited to, interest rate, liquidity and credit) related to the Cover Assets and/or the Mortgage Pandbrieven (each a **Hedging Counterparty**).

## **Liquidity Facility Provider**

The Issuer may, from time to time during the Programme, enter into Liquidity Facility Agreements with one or more liquidity facility providers (each a **Liquidity Facility Provider**) in order to improve the liquidity of the Special Estate.

Fiscal Agent ING (the Fiscal Agent).

**Calculation Agent** ING or any other calculation agent appointed by the Issuer pursuant

to a Calculation Agency Agreement, as specified in the applicable

Final Terms (the Calculation Agent)

Paying Agent ING or as may be specified in the relevant Final Terms (the Paying

Agent)

**Listing Agent** ING (the **Listing Agent**).

Clearing System Operator NBB (the Clearing System Operator).

#### **Auditors**

Ernst & Young Bedrijfsrevisoren BCVBA represented by Jean-Francois Hubin with offices at De Kleetlaan 2, 1831 Diegem (the **Auditors**).

#### **Other Cover Pool Creditors**

Means the Mortgage Pandbrieven Holders' Representative, any Cover Pool Administrator, the Cover Pool Monitor, the Agents, the Hedging Counterparties (if any), any Liquidity Facility Providers (if any) and any Operational Creditors.

#### **Operational Creditors**

Means any servicer appointed to service the Cover Assets, any account bank appointed to hold accounts of the Issuer in relation to the Special Estate, any stock exchange on which the Mortgage Pandbrieven are listed and/or admitted to trading, any auditor, legal counsel and tax advisor of the Issuer in relation to the Special Estate or the Programme, any custodian of Cover Assets or assets in the Special Estate, any rating agency appointed by the Issuer to rate the Programme or the Mortgage Pandbrieven, any agent or party appointed in accordance with the Programme Documents, any other creditor of amounts due in connection with the management and administration of the Special Estate and any other creditor of the Issuer pursuant to any services provided or any transaction entered into in connection with the Special Estate or the Programme and notified to the Mortgage Pandbrieven Holders' Representative or as may from time to time be specified in the Terms and Conditions of any Mortgage Pandbrieven issued under the Programme.

# Registrar (for Registered Mortgage Pandbrieven)

A party to be specified in the applicable Final Terms.

## **Rating Agencies**

Means such internationally recognised rating agencies (together, the Rating Agencies and each a Rating Agency) as may from time to time be appointed to rate the Mortgage Pandbrieven issued under the Programme. The Issuer may, from time to time, request for the withdrawal of a previously assigned rating of a Series of Mortgage Pandbrieven by a Rating Agency and/or the appointment of a different Rating Agency to assign a rating to a Series of Mortgage Pandbrieven in issue or about to be issued. The Issuer may also terminate the appointment of any Rating Agency to rate the Mortgage Pandbrieven under the Programme at any time.

Fitch and Moody's have initially been appointed to provide ratings for those Series of Mortgage Pandbrieven which are to be rated.

The parties listed above are appointed to act in respect of the Programme pursuant to the Programme Documents as further described under the section of this Base Prospectus entitled "Description of Principal Documents" below. The relevant Programme Documents provide that other parties may be appointed from time to time and contain certain provisions in relation to the replacement of the above-mentioned parties.

## PROGRAMME DESCRIPTION

#### Description

ING Belgium SA/NV EUR 10,000,000,000 Residential Mortgage Pandbrieven Programme (the **Programme**) is a programme for the continuous issue of Belgian *pandbrieven/lettres de gage belges* (the **Mortgage Pandbrieven**) in accordance with the Belgian Covered Bond Regulations.

The NBB, as Supervisor, has admitted the Programme to the list of authorised programmes for the issue of Belgian covered bonds on 5 November 2013. The Supervisor will regularly update such list, upon

notification by the Issuer, with the Mortgage Pandbrieven issued under the Programme and will indicate that the Mortgage Pandbrieven constitute Belgian *pandbrieven/lettres de gage belges* under the Belgian Covered Bond Regulations.

## Belgian Covered Bond Regulations

The Mortgage Pandbrieven will be issued pursuant to the Belgian Covered Bond Regulations. The **Belgian Covered Bond Regulations** are the following laws and implementing regulations:

- (i) the Credit Institutions Supervision Law;
- (ii) the Mobilisation Law:
- (iii) the Covered Bonds Royal Decree;
- (iv) the Cover Pool Administrator Royal Decree;
- (v) the NBB Covered Bonds Regulation; and
- (vi) the NBB Cover Pool Monitor Regulations.

For further information on the Belgian Covered Bond Regulations, see "Summary of the Belgian Covered Bond Regulations" below.

## **Programme Amount**

EUR 10,000,000,000 outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

### Status of the Mortgage Pandbrieven

The Mortgage Pandbrieven will be issued as Belgian pandbrieven (Belgische pandbrieven/lettres de gage belges) in accordance with the Belgian Covered Bond Regulations and will constitute direct, unconditional and unsubordinated obligations of the Issuer. The Mortgage Pandbrieven will rank (i) pari passu and rateably without any preference or priority among themselves, irrespective of their Series and (ii) at least pari passu with all other present and future outstanding unsecured obligations of the Issuer, save for such obligations as may be preferred by law that are both mandatory and of general assumption. In addition, the Mortgage Pandbrieven will be covered in accordance with the Belgian Covered Bond Regulations by the Special Estate and the Pandbrieven Holders and the Other Cover Pool Creditors will have an exclusive recourse right to the Special Estate. Creditors of the Issuer (other than Pandbrieven Holders and the Other Cover Pool Creditors) may not exercise any rights against or attach the Special Estate.

See also "Summary of the Belgian Covered Bond Regulations" below.

#### **Special Estate**

Upon the first issue of Mortgage Pandbrieven by the Issuer, the estate of the Issuer will be legally composed of a General Estate and of the Special Estate. All Mortgage Pandbrieven to be issued under the Programme will be covered by the same Special Estate.

**Special Estate** means the special estate (*bijzonder vermogen/patrimoine spécial*) of the Issuer constituted pursuant to Article 3 Annex III to the Credit Institutions Supervision Law in relation to the Programme.

**General Estate** means at any given time the assets of the Issuer that are at such time not comprised in a special estate as envisaged

in Article 3 Annex III to the Credit Institutions Supervision Law, including, in particular, the Special Estate.

See also "Summary of the Belgian Covered Bond Regulations – 3. Special Estate" below.

## **Main Asset Class**

The main asset class of the Special Estate will consist of Residential Mortgage Loans, their Related Security interests and all monies derived therefrom from time to time in accordance with the Belgian Covered Bond Regulations.

**Related Security** means all security interests and sureties, guarantees (*voorrechten/privilèges*) of any form that secure Cover Assets as well as rights under insurance policies and other contracts in relation to the Cover Assets or the management of the Special Estate.

**Residential Mortgage Loans** means loans granted to borrowers (**Borrowers**) that are secured by a first ranking mortgage on residential real estate as defined in article 2, 6° of the Covered Bonds Royal Decree.

For further information on the composition of the Special Estate, see also "Summary of the Belgian Covered Bond Regulations – 4.A Categories of Cover Assets" and "4.B Further qualitative requirements for Cover Assets relating to Belgian Pandbrieven" below.

Priority Rules in respect of security interest securing Cover Assets and assets in the General Estate

If a security interest (including any mortgage and mortgage mandate) secures both Cover Assets and obligations which are assets of the General Estate, all sums received out of the enforcement of the security interest will be applied in priority to satisfy the obligations in relation to the Cover Assets. Any proceeds of enforcement of such security interest can only be applied in satisfaction of the obligations which are assets of the General Estate once all sums owed to the Special Estate in respect of the relevant Cover Assets are irrevocably repaid in full (see Article 6 Annex III to the Credit Institutions Supervision Law).

#### **Issuer Undertakings**

The Issuer will undertake in favour of the Pandbrieven Holders and the Mortgage Pandbrieven Holders' Representative:

- (i) to comply with all obligations imposed on it under the Belgian Covered Bond Regulations,
- (ii) that the Special Estate will not include any commercial mortgage loans, residential mortgage backed securities, commercial mortgage backed securities or any other asset backed securities.
- (iii) that the Special Estate will at all times include a number of liquid bonds (a) which have an aggregate market value which, after applying the ECB haircut in accordance with the Guideline of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy replacing as from 1 May 2015 the Guidelines of the ECB of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem (as may be amended, supplemented, replaced and/or restated from time to time), is higher than the amount of interest due and payable on the

outstanding Mortgage Pandbrieven within a period of three months meeting the criteria set out in paragraph 7 of the NBB Covered Bonds Regulation and (b) which (1) are eligible as collateral for Eurosystem monetary policy purposes and intraday credit operations by the Eurosystem, (2) have a credit quality step 1 as defined in the CRR, (3) are subject to a daily mark-to-market, (4) have a remaining maturity of more than three months and, (5) are not debt issued by the Issuer, and (6) are not residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS) or any other asset backed securities (ABS) (the **Undertaking of the Issuer with regard to Liquidity of the Special Estate** (as to which, see Condition 2.6(c))); and

(iv) to provide an investor report (the Investor Report), containing information regarding, amongst others, the Mortgage Pandbrieven and the composition of the Special Estate on a monthly basis, on the 15<sup>th</sup> Business Day of each calendar month (each an Investor Report Date), which will be made available on the website of the Issuer at www.ing.be/investor-relations.

Criteria for the transfer of assets by the General Estate to the Special Estate

The Issuer has also agreed, in the Special Estate Administration Agreement and in the Conditions, the criteria to be used for the selection of assets to satisfy the Issuer's revindication obligations (as to which, see Condition 12.1 (*Criteria for the transfer of assets by the General Estate to the Special Estate*) for the full list).

#### **Cover Register**

The Issuer maintains a Cover Register in which both the issued Mortgage Pandbrieven and the Cover Assets are registered.

**Cover Assets** means Residential Mortgage Loans that are or will be registered in the Cover Register and all other assets that are or will be included in the Special Estate pursuant to Article 3 Annex III to the Credit Institutions Supervision Law.

**Cover Register** means the cover register established by the Issuer for the Mortgage Pandbrieven issued under the Programme in accordance with Article 15, §2 Annex III to the Credit Institutions Supervision Law.

Excess Swap Collateral means an amount equal to the value of any collateral transferred to the Issuer by a Hedging Counterparty under a Hedging Agreement: (A) in respect of which the terms of such Hedging Agreement do not, at the relevant time, provide for such collateral to be applied in satisfaction of the Hedging Counterparty's obligations to the Issuer; or (B) that is in excess of the Hedging Counterparty's liability to the Issuer thereunder (i) as at the termination date of the transaction entered into under such Hedging Agreement or (ii) as at any other date of valuation in accordance with the terms of the Hedging Agreement

See also "Summary of the Belgian Covered Bond Regulations – 5. Special obligations of the Issuer in respect of administration of the Belgian Covered Bonds" below.

#### **Cover Tests**

In accordance with Article 2, §2 Annex III to the Credit Institutions Supervision Law, the Cover Assets comprising the Special Estate must, for the duration of the Mortgage Pandbrieven, provide sufficient cover (i) for the payment of principal and interest on the

Mortgage Pandbrieven, (ii) for the obligations towards the Other Cover Pool Creditors and (iii) for the management of the Special Estate.

Article 5 of the Covered Bonds Royal Decree which further implements this rule, (a) includes a general requirement that, with respect to the Special Estate, the sum of interest, principal and all other revenues generated by the Cover Assets must be sufficient to cover the sum of all interest, principal and charges linked to the Mortgage Pandbrieven (the **Cover Asset Adequacy Test**), and (b) provides, more in particular, for the following two specific tests in relation to the minimum cover to be provided by the Cover Assets.

At the time of the issuance and as long as any Mortgage Pandbrieven remain outstanding:

- (i) the value of the Residential Mortgage Loans registered as Cover Assets in the Special Estate determined in accordance with the valuation rules set out in the Covered Bonds Royal Decree must represent at least 85% of the aggregate Principal Amount Outstanding of the Mortgage Pandbrieven then in issue (the 85% Asset Coverage Test); and
- (ii) the value of the Cover Assets, determined in accordance with the valuation rules set out in the Covered Bonds Royal Decree, must represent at least 105% of the aggregate Principal Amount Outstanding of Mortgage Pandbrieven then in issue (the Over-Collateralisation Test).

The Cover Asset Adequacy Test, the 85% Asset Coverage Test and the Over-Collateralisation Test are hereinafter jointly referred to as the **Cover Tests**.

See also "Summary of the Belgian Covered Bond Regulations – 4. Cover Assets and Tests – C. Statutory Tests – Cover Tests" below.

## **Liquidity Test**

With respect to the Special Estate, the Cover Assets must, at any time, be able to generate sufficient liquidity or include enough liquid assets to enable the Issuer to make all unconditional payments on the Mortgage Pandbrieven (including principal, interest and other costs) falling due during the following 6 months (the **Liquidity Test**). If an Extended Maturity Date is specified in the applicable Final Terms for a Series of Mortgage Pandbrieven, payments of amounts due on the Maturity Date will not be considered as unconditional for the purpose of the Liquidity Test.

The Cover Tests and the Liquidity Test are hereinafter jointly referred to as the **Statutory Tests**.

See also "Summary of the Belgian Covered Bond Regulations – 4. Cover Assets and Tests – D. Statutory Tests – Liquidity Test" below.

## Management of the Special Estate

Until the appointment of a Cover Pool Administrator by the Supervisor, the Issuer will manage the Special Estate.

Upon designation, the Cover Pool Administrator will manage the Special Estate to the exclusion of the Issuer.

See also "Summary of the Belgian Covered Bond Regulations – 3.C Management of the Special Estate" and "Summary of the Belgian

Covered Bond Regulations – 5 Cover Pool Administrator" below.

## Changes to the Special Estate

Until the appointment of a Cover Pool Administrator by the Supervisor:

- (i) the Issuer may allocate additional assets to the Special Estate, among other things, for the purposes of issuing further Series of Mortgage Pandbrieven and/or for the purpose of complying with the Statutory Tests and/or maintaining the initial rating(s) assigned to the Mortgage Pandbrieven; and
- (ii) the Issuer may remove or substitute existing Cover Assets from the Special Estate, provided that no breach of the Statutory Tests would occur as a result of such removal or substitution.

#### **Maturity Date**

The maturity date for each Series (the **Maturity Date**) will be specified in the applicable Final Terms as agreed between the Issuer and the relevant Dealer(s). An Extended Maturity Date shall be specified in the applicable Final Terms as applying to each Series of Mortgage Pandbrieven, unless specified otherwise.

## **Extended Maturity Date**

The applicable Final Terms may provide that the Issuer's obligations under the relevant Mortgage Pandbrieven to pay the Principal Amount Outstanding on the relevant Maturity Date may be deferred past the Maturity Date until the extended maturity date (as specified in the applicable Final Terms) (such date the **Extended Maturity Date**).

In such case, such deferral will occur automatically if the Issuer fails to pay in full within fourteen Business Days after the Maturity Date any amount representing the amount due on the Maturity Date as set out in the Final Terms (the **Final Redemption Amount**) in respect of the relevant Series of Mortgage Pandbrieven, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid (in whole or in part) by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date. Interest will continue to accrue and be payable on any unpaid amounts on each Interest Payment Date up to the Extended Maturity Date in accordance with Condition 4 (*Interest*) and the Issuer will make payments on each relevant Interest Payment Date and Extended Maturity Date.

#### **Events of Default**

If any of the following events occurs and is continuing (each an **Event of Default**):

- (i) on the Maturity Date (in respect only of any Series to which an Extended Maturity Date is not applicable) or Extended Maturity Date, as applicable, in respect of any Series or on any Interest Payment Date on which principal is due and payable thereon, there is a failure to pay any amount of principal due on the Mortgage Pandbrieven on such date and such default is not remedied within a period of fourteen Business Days from the due date thereof; or
- (ii) on any Interest Payment Date, a default in the payment of the amount of interest due on any Series occurs and such default is not remedied within a period of fourteen Business Days

#### from the due date thereof;

then the Mortgage Pandbrieven Holders' Representative may and, upon direction of Pandbrieven Holders holding the requisite percentage of the aggregate Series Principal Amount Outstanding of all Series of Mortgage Pandbrieven then outstanding, other than Mortgage Pandbrieven held by the Issuer (subject to being indemnified and/or secured and/or prefunded to its satisfaction), shall serve a notice (a **Notice of Default**) on the Issuer (copied to the Cover Pool Monitor, the Supervisor and, if appointed, the Cover Pool Administrator).

See also Condition 8.1 Events of Default.

#### **Cross-acceleration**

Following the service of a Notice of Default (i) no further Mortgage Pandbrieven will be issued and (ii) the Mortgage Pandbrieven of each Series shall become immediately due and payable, together with any accrued interest.

## Liquidation of the Special Estate

Upon the initiation of winding-up proceedings against the General Estate of Issuer, the Cover Pool Administrator pursuant to Articles 11, 6° or 7° Annex III to the Credit Institutions Supervision Law:

- (i) may, in consultation with the Mortgage Pandbrieven Holders' Representative and subject to approval by the Supervisor, proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven where the Cover Assets are not, or risk not being, sufficient to satisfy the obligations under the Mortgage Pandbrieven; and
- (ii) will, in consultation with the Mortgage Pandbrieven Holders' Representative and the Supervisor, proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven when a majority decision has been taken to this effect at a meeting of Pandbrieven Holders at which at least two thirds of the Principal Amount Outstanding of the Mortgage Pandbrieven of all Series are represented.

See also "Summary of the Belgian Covered Bond Regulations – 3. Special Estate – D. Impact of liquidation and reorganisation procedures" below.

### Payments on the Mortgage Pandbrieven

Payments on the Mortgage Pandbrieven will be direct and unconditional obligations of the Issuer.

Following delivery of a Notice of Default all funds deriving from the Cover Assets (other than amounts or financial instruments representing Excess Swap Collateral (if any), which amounts shall be applied in accordance with the terms of the relevant Hedging Agreement) shall be applied on any Business Day in accordance with the Post Event of Default Priority of Payments.

Following a decision to liquidate the Special Estate and early redeem the Mortgage Pandbrieven of all Series pursuant to Articles 11, 6° or 7° Annex III to the Credit Institutions Supervision Law all funds deriving from the Cover Assets (other than amounts or financial instruments representing Excess Swap Collateral (if any), which amounts shall be applied in accordance with the terms of the relevant Hedging Agreement) shall be applied on any Business Day

## in accordance with the Early Redemption Priority of Payments

## Post Event of Default Priority of Payments

- first, pari passu and pro rata according to the respective (i) amounts thereof, (a) payment of all amounts then due and payable to the Mortgage Pandbrieven Holders' Representative (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Mortgage Pandbrieven Holder Representative Agreement or any other Programme Document (as defined herein) together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (b) to pay all amounts then due and payable to the Agents and/or the Registrar (if any) under the provisions of the Agency Agreement, any Calculation Agency Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (c) to pay all amounts then due and payable to the Cover Pool Monitor under the provisions of the Cover Pool Monitor Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein and (d) upon its appointment in accordance with the Belgian Covered Bond Regulations, to pay all amounts then due to any Cover Pool Administrator (including any of its representatives or delegates) pursuant to the conditions of its appointment together with interest and applicable VAT or other similar taxes and any costs and expenses incurred by or on behalf of the Special Estate;
- second, pari passu and pro rata according to the respective amounts thereof, in and towards, payment of any amounts, fees, costs, charges, liabilities, expenses and taxes due and payable by the Issuer or the Special Estate to the Operational Creditors;
- (iii) third, pari passu and pro rata according to the respective amounts thereof, in and towards, (a) payment of all amounts of interest and principal then due and payable on any Mortgage Pandbrieven, (b) payment of any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements, and (c) payment of all amounts due and payable under any Liquidity Facility Agreement to any Liquidity Facility Provider;
- (iv) fourth, *pari passu* and *pro rata*, according to the respective amounts thereof, in and towards, payment of any amount due and payable to any Hedging Counterparties arising out of any Subordinated Termination Payment; and
- (v) fifth, once all Mortgage Pandbrieven have been redeemed and following the payment in full of all items under (i) to (iv) above, in and towards payment of excess to the General Estate of the Issuer.

See Condition 9.1 (Post Event of Default Priority of Payments).

## Early Redemption Priority of Payments

- first, pari passu and pro rata according to the respective (i) amounts thereof, (a) payment of all amounts then due and payable to the Mortgage Pandbrieven Holders' Representative (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Mortgage Pandbrieven Holder Representative Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (b) to pay all amounts then due and payable to the Agents and/or the Registrar (if any) under the provisions of the Agency Agreement, any Calculation Agency Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (c) to pay all amounts then due and payable to the Cover Pool Monitor under the provisions of the Cover Pool Monitor Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (d) upon its appointment in accordance with the Belgian Covered Bond Regulation, payment of all amounts then due to any Cover Pool Administrator (including any of its representatives or delegates) pursuant to the conditions of its appointment together with interest and applicable VAT or other similar taxes and any costs and expenses incurred by or on behalf of the Special Estate and (e) payment of any amounts, fees, costs, charges, liabilities, expenses and taxes due and payable by the Issuer or the Special Estate to the Operational Creditors:
- (ii) second, pari passu and pro rata according to the respective amounts thereof, in and towards, (a) payment of all amounts of interest and principal then due and payable on any Mortgage Pandbrieven, (b) payment of any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements, and (c) payment of all amounts due and payable under any Liquidity Facility Agreement to any Liquidity Facility Provider;
- (iii) third, pari passu and pro rata, according to the respective amounts thereof, in and towards, payment of any amount due and payable to any Hedging Counterparties arising out of any Subordinated Termination Payment; and
- (iv) fourth, once all Mortgage Pandbrieven have been redeemed and following the payment in full of all items under (i) to (iii) above, in and towards, payment of any excess to the General Estate of the Issuer.

See Condition 9.2 (Early Redemption Priority of Payments).

# **Subordinated Termination Payment**

Means any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event relating to the credit rating or credit worthiness of the Hedging Counterparty as specified in the schedule to the relevant Hedging Agreement, (b) the bankruptcy of the relevant Hedging Counterparty, or (c) any default and/or failure to perform by such Hedging Counterparty under the

relevant Hedging Agreement, other than, in the event of (a) or (b) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

## Monitoring

The Cover Pool Monitor has been appointed to (i) issue periodic reports to the NBB as Supervisor on compliance by the Issuer with the Belgian Covered Bond Regulations, (ii) test compliance with the Issuer's undertaking not to include commercial mortgage loans, residential mortgage backed securities, commercial mortgage backed securities or other asset backed securities in the Special Estate and (iii) perform the Statutory Tests both as provided for in the Belgian Covered Bond Regulations and in accordance with the requirements of the NBB as Supervisor. The NBB as Supervisor can also request that the Cover Pool Monitor performs other tasks and verifications.

See also "Summary of the Belgian Covered Bond Regulations – Parties – 6. Specific Supervision – A. Cover Pool Monitor" and "Description of Principal Documents – Cover Pool Monitor Agreement" below.

## Breach of the Statutory Tests

If the Issuer is (and remains) unable to meet the requirements of the Statutory Tests or any other specific requirements which apply to it as an issuing credit institution of Belgian covered bonds, the Supervisor can require the Issuer to resolve the situation within a grace period specified by the Supervisor. If the situation is not resolved after expiry of this grace period, the Supervisor can remove the Issuer from the list of Belgian covered bonds issuers and revoke the Issuer's license to issue Belgian covered bonds. In situations of urgency the Supervisor can take such measure without first allowing a grace period within which to resolve the situation.

The Supervisor can also publish warnings/statements indicating that a credit institution has failed to comply with the Supervisor's requests to meet the requirements of the Belgian Covered Bond Regulations within a specified grace period. In addition, as part of its general supervisory function under the Credit Institutions Supervision Law, the Supervisor can impose fines and administrative penalties.

A removal of the Issuer from the list of Belgian covered bonds issuers will have no impact on the Mortgage Pandbrieven already issued by the Issuer.

See also "Summary of the Belgian Covered Bond Regulations – 6. Specific Supervision – B. Supervisor" below.

**Cross Default** 

None (other than Cross-acceleration between Series of Mortgage Pandbrieven).

**Negative Pledge** 

None.

**Governing Law** 

The Agency Agreement and each Calculation Agency Agreement, the Mortgage Pandbrieven Holder Representative Agreement, the Cover Pool Monitor Agreement, the Special Estate Administration Agreement, the Programme Agreement and each Subscription Agreement, any Liquidity Facility Agreement and the Clearing Services Agreement, are governed by, and construed in accordance

with, Belgian law.

The Mortgage Pandbrieven under the Programme are governed by and construed in accordance with Belgian law.

Each Hedging Agreement will be governed by and construed in accordance with English law.

## INFORMATION ON THE MORTGAGE PANDBRIEVEN THAT MAY BE ISSUED UNDER THE PROGRAMME

Distribution

Mortgage Pandbrieven may be distributed by way of private placement on a syndicated or non-syndicated basis.

**Issuance in Series** 

Mortgage Pandbrieven will be issued in Series subject to, in each case, the terms set out in the applicable Final Terms in respect of such Series. Save in respect of the first issue of Mortgage Pandbrieven, Mortgage Pandbrieven issued under the Programme will either be fungible with an existing Series of Mortgage Pandbrieven or have different terms from any existing Series of Mortgage Pandbrieven (in which case they will constitute a new Series). The Issuer will issue Mortgage Pandbrieven without the prior consent of the Pandbrieven Holders pursuant to Condition 18 (Further Issues).

As used herein, **Tranche** means Mortgage Pandbrieven which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Mortgage Pandbrieven together with any further Tranche or Tranches of Mortgage Pandbrieven which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

**Final Terms** 

Final terms (the **Final Terms**) will be issued and published in accordance with the terms and conditions set out herein under "*Terms and Conditions* of the *Mortgage Pandbrieven*" (the **Conditions**) prior to the issue of each Series or Tranche detailing certain relevant terms thereof which, for the purposes of that Series or Tranche only, complete the Conditions and the Base Prospectus and must be read in conjunction with the Conditions and the Base Prospectus. The terms and conditions applicable to any particular Series are the Conditions as completed by the applicable Final Terms.

Form of Mortgage Pandbrieven

The Mortgage Pandbrieven can be issued (i) in dematerialised form (**Dematerialised Mortgage Pandbrieven**) in accordance with Article 468 et seq. of the Belgian Company Code via a book-entry system maintained in the records of the NBB as operator of the Securities Settlement System or (ii) in registered form (**Registered Mortgage Pandbrieven**) in accordance with Article 462 et seq. of the Belgian Company Code. No physical documents of title will be issued in respect of Dematerialised Mortgage Pandbrieven. Dematerialised Mortgage Pandbrieven will be delivered in the form of an inscription on a securities account. See "Forms of the Mortgage Pandbrieven" below.

**Issue Dates** 

The date of issue of a Series or Tranche as specified in the applicable Final Terms (each, the **Issue Date** in relation to such

Series or Tranche).

## Interest Commencement Dates

The date on which interest begins to accrue on a Series or Tranche as specified in the applicable Final Terms (each, the **Interest Commencement Date** in relation to such Series or Tranche).

#### **Issue Prices**

The price (usually calculated as a percentage of the principal amount of Mortgage Pandbrieven to be issued as part of such Series or Tranche) at which a Series or Tranche is to be subscribed for at the Issue Date, as specified in the applicable Final Terms (each, the Issue Price in relation to such Series or Tranche). Mortgage Pandbrieven may be issued at par or at a premium or discount to par as specified in the applicable Final Terms in respect of such Series.

## **Specified Currency**

Euro or such other currency as is agreed between the Issuer and the relevant Dealer(s).

#### **Denominations**

The Mortgage Pandbrieven will be in such denominations as may be specified in the applicable Final Terms with a minimum specified denomination of EUR 100,000 or its equivalent in any other Specified Currency.

## Fixed Rate Mortgage Pandbrieven

The applicable Final Terms may provide that certain Mortgage Pandbrieven will bear interest at a fixed rate (**Fixed Rate Mortgage Pandbrieven**), which will be payable on each Interest Payment Date and on the applicable redemption date and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

## Floating Rate Mortgage Pandbrieven

The applicable Final Terms may provide that certain Mortgage Pandbrieven bear interest at a floating rate (**Floating Rate Mortgage Pandbrieven**). Floating Rate Mortgage Pandbrieven will bear interest at a rate which is the aggregate rate of the rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the Dealer(s), and

the margin (if any) relating to such floating rate (the **Margin**) will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Mortgage Pandbrieven, as set out in the applicable Final Terms.

## Zero Coupon Mortgage Pandbrieven

The applicable Final Terms may provide that Mortgage Pandbrieven, bearing no interest (**Zero Coupon Mortgage Pandbrieven**), may be offered and sold at a discount to their nominal amount.

#### **Interest Payment Dates**

In relation to any Series of Mortgage Pandbrieven, the Interest Payment Dates will be specified in the applicable Final Terms (as the case may be).

#### **Early Redemption**

The Mortgage Pandbrieven can be redeemed prior to their stated maturity for taxation reasons in the manner set out in Condition 6.3 (*Redemption for taxation reasons*) and in the event of an illegality in the manner set out in Condition 6.5 (*Illegality*).

#### **GENERAL INFORMATION**

# Proceeds of the issue of Mortgage Pandbrieven

The gross proceeds from each issue of Mortgage Pandbrieven will be used by the Issuer for its general corporate purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

#### **Taxation**

All payments of principal, interest and other proceeds (if any) on the Mortgage Pandbrieven will be made (a) free and clear of any withholding or deduction for, or on account of, any taxes of Belgium, unless the Issuer or any intermediary that intervenes in the collection of interest and other proceeds on the Mortgage Pandbrieven is required by law to make such a withholding or deduction. In the event that such withholding, or deduction is required by law, the Issuer will, except in certain limited circumstances set out in Condition 7 (Taxation), be required to pay additional amounts to cover the amounts so deducted; and (b) subject to any withholding or deduction that, in certain specific circumstances, may be required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code), or otherwise imposed pursuant to section 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## **Ratings**

Each Series issued under the Programme may be assigned a rating by the Rating Agencies. The Issuer may also issue Mortgage Pandbrieven which are unrated. Details of the ratings assigned to a particular Series of Mortgage Pandbrieven will be specified in the applicable Final Terms. Whether or not each credit rating applied in relation to the Mortgage Pandbrieven will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms.

Fitch is established in the European Union and is registered for the purposes of the CRA Regulation.

Moody's is established in the European Union and is registered for the purposes of the CRA Regulation.

Each of Fitch and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

## Listing and admission to trading

This document has been approved as a base prospectus by the Belgian Financial Services and Market Authority (the **FSMA**). Application has been made to Euronext Brussels for the Mortgage Pandbrieven issued under the Programme after the date hereof to be admitted to listing on the official list and trading on the regulated market of Euronext Brussels.

Mortgage Pandbrieven may be listed or admitted to trading, as the case may be, on a regulated market for the purposes of Directive 2014/65/EC (as may be amended, updated or replaced from time to time, the **Markets in Financial Instruments Directive** or **MiFID**), as may be agreed between the Issuer and the relevant Dealer(s) in

relation to each issue. The Final Terms relating to each Tranche of the Mortgage Pandbrieven will state whether or not the Mortgage Pandbrieven are to be listed and/or admitted to trading and, if so, on which regulated markets.

### Delivery of Mortgage Pandbrieven

Dematerialised Mortgage Pandbrieven will be deposited with the NBB and interests in them will be credited to the accounts held in the clearing system operated by the NBB or any successor thereto (the **Securities Settlement System**), by Euroclear Bank SA/NV (**Euroclear**), Clearstream Banking S.A. (**Clearstream, Luxembourg**) or other Securities System participants or their participants. Registered Mortgage Pandbrieven will be registered in a register maintained by the Issuer or by the Registrar in accordance with Article 462 et seq. of the Belgian Company Code.

# Securities Settlement Systems

The Dematerialised Mortgage Pandbrieven will be created, cleared and settled in the Securities Settlement System. Euroclear and Clearstream, Luxembourg maintain accounts in the Securities Settlement System. The clearing of the Mortgage Pandbrieven through the Securities Settlement System is subject to prior approval of the NBB.

## **Selling Restrictions**

There are restrictions on the offer, sale and transfer of the Mortgage Pandbrieven in the United States, the European Economic Area (the **EEA**) (including the United Kingdom, and Luxembourg), Switzerland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Mortgage Pandbrieven. See "Subscription and Sale" below. Selling restrictions in respect of a particular Tranche may be specified in the applicable Final Terms.

## **PROGRAMME DOCUMENTS**

## Cover Pool Monitor Agreement

Under the terms of the Cover Pool Monitor Agreement entered into on or around the date of this Base Prospectus between the Cover Pool Monitor, the Issuer and the Mortgage Pandbrieven Holder's representative (the **Cover Pool Monitor Agreement**), the Cover Pool Monitor has, among other things, agreed (i) to issue periodic reports to the NBB as Supervisor on compliance by the Issuer with the Belgian Covered Bond Regulations, (ii) to test compliance with the Issuer's undertaking not to include commercial mortgage loans, residential mortgage backed securities, commercial mortgage backed securities or other asset backed securities in the Special Estate, and (iii) to perform the Statutory Tests both as provided for in the Belgian Covered Bond Regulations and in accordance with the requirements of the Supervisor.

## Mortgage Pandbrieven Holder Representative Agreement

Under the terms of the Mortgage Pandbrieven Holder Representative Agreement (the Mortgage Pandbrieven Holder Representative Agreement), entered into on or around the date of this Base Prospectus between the Issuer and the Mortgage Pandbrieven Holders' Representative, the Mortgage Pandbrieven Holders' Representative has been appointed to act as representative (vertegenwoordiger/représentant) of the Pandbrieven Holders in accordance with the Belgian Covered Bond Regulations and the Conditions.

## **Agency Agreement**

Under the terms of an agency agreement entered into on or around the date of this Base Prospectus between, amongst others, the Issuer and ING as Fiscal Agent, Paying Agent, Listing Agent and Calculation Agent and the Mortgage Pandbrieven Holders' Representative (the **Agency Agreement**), ING has agreed respectively to act as fiscal agent, paying agent, listing agent and calculation agent in relation to the Mortgage Pandbrieven. The Agency Agreement also provides for the appointment of a Registrar in respect of any Registered Mortgage Pandbrieven issued from time to time.

# Calculation Agency Agreement

The Agency Agreement provides for the appointment from time to time of a Calculation Agent to determine the interest rate in relation to any Floating Rate Mortgage Pandbrieven. Such Calculation Agent may be appointed pursuant to a Calculation Agency Agreement which supplements the arrangements in the Agency Agreement.

## Clearing Services Agreement

The Issuer, the Fiscal Agent and the NBB as operator of the Securities Settlement System have entered into a clearing services agreement on or around the date of this Base Prospectus in relation to the clearing of the Mortgage Pandbrieven (the **Clearing Services Agreement**).

### **Programme Agreement**

The programme agreement entered into on or around the date of this Base Prospectus between, amongst others, the Issuer, the Arranger and ING Bank, Belgian branch as the initial Dealer (the **Programme Agreement**) sets out the terms under which Mortgage Pandbrieven may from time to time be agreed to be issued, including the appointment and resignation of Dealers.

#### **Subscription Agreement**

Prior to or on the date an issuance of any Series of Mortgage Pandbrieven, the Issuer, the Mortgage Pandbrieven Holders' Representative and the relevant Dealer(s) will enter into a Subscription Agreement (in the form attached to the Programme Agreement) supplementing the arrangements in the Programme Agreement and setting out, *inter alia*, the relevant underwriting commitments in respect of the particular issuance.

#### **Hedging Agreements**

The Issuer may, from time to time during the Programme, enter into interest rate swap agreements, currency swap agreements and other relevant swap or hedging agreements (together the **Hedging Agreements**) with one or more Hedging Counterparties for the purpose of, *inter alia*, protecting itself against certain risks (including, but not limited to, interest rate, currency, liquidity and credit) related to the Cover Assets (as defined below) and/or the Mortgage Pandbrieven.

Any Hedging Agreement(s) may be included as part of the Special Estate at the Issuer's discretion.

# Liquidity Facility Agreements

The Issuer may, from time to time during the Programme, enter into liquidity facility agreements (the **Liquidity Facility Agreements**) with one or more Liquidity Facility Providers in order to improve the liquidity of the Special Estate.

Any Liquidity Facility Agreement(s) may be included as part of the Special Estate at the Issuer's discretion.

## Special Estate Administration Agreement

Under the terms of a special estate administration agreement entered into on or around the date of this Base Prospectus between the Issuer, the Mortgage Pandbrieven Holders' Representative and the Cover Pool Monitor (such special estate administration agreement as modified and/or supplemented and/or restated from time to time, the **Special Estate Administration Agreement**) all

Mortgage Pandbrieven issued under the Programme are subject to and have the benefit of certain common terms regardless of whether the Mortgage Pandbrieven are issued under the Base Prospectus or not.

## **Programme Documents**

The Agency Agreement, the Mortgage Pandbrieven Holder Representative Agreement, the Cover Pool Monitor Agreement, Special Estate Administration Agreement, the Clearing Services Agreement, any Calculation Agency Agreement, the Programme Agreement and each Subscription Agreement, each of the Final Terms, any Hedging Agreement, any Liquidity Facility Agreement and any additional document entered into in respect of the Mortgage Pandbrieven and/or the Special Estate and designated as a Programme Document by the Issuer and the Mortgage Pandbrieven Holders' Representative.

## **Investor Report**

Each Investor Report will be made available on each Investor Report Date to the prospective investors in the Mortgage Pandbrieven and to the Pandbrieven Holders at the offices of the Issuer, the specified offices of the Fiscal Agent, on Bloomberg and on the Issuer's website (www.ing.be/investor-relations).

## **RISK FACTORS**

#### PART 1 – GENERAL

## Introduction

This Base Prospectus identifies in a general way the information that a prospective investor should consider prior to making an investment in the Mortgage Pandbrieven. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Mortgage Pandbrieven as any evaluation of the suitability for an investor of an investment in the Mortgage Pandbrieven depends upon a prospective investor's particular financial and other circumstances, as well as on the specific terms of the Mortgage Pandbrieven. This Base Prospectus is not, and does not purport to be, investment advice or an investment recommendation to purchase Mortgage Pandbrieven. The Issuer is acting solely in the capacity of an arm's length contractual counterparty and not as a purchaser's financial adviser or fiduciary in any transaction unless it has agreed to do so in writing. If a prospective investor does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, the investor should consult with its independent financial adviser prior to deciding to make an investment in the Mortgage Pandbrieven.

Each prospective investor in Mortgage Pandbrieven must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Mortgage Pandbrieven (i) is fully consistent with its (or if it is acquiring the Mortgage Pandbrieven in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with any investment policies, guidelines and restrictions applicable to it (whether acquiring the Mortgage Pandbrieven as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Mortgage Pandbrieven in a fiduciary capacity, for the beneficiary). In particular, investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Mortgage Pandbrieven are legal investments for it, (ii) the Mortgage Pandbrieven can be used as underlying securities for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Mortgage Pandbrieven.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Mortgage Pandbrieven under any applicable risk-based capital or similar rules.

In purchasing Mortgage Pandbrieven, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Mortgage Pandbrieven. There are a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Mortgage Pandbrieven. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Mortgage Pandbrieven.

## The Mortgage Pandbrieven may not be a suitable investment for all investors

Each potential investor in the Mortgage Pandbrieven must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Mortgage Pandbrieven, the merits and risks of investing in the Mortgage Pandbrieven and the information contained or incorporated by reference in this Base Prospectus, any applicable supplement or Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Mortgage Pandbrieven and the impact the Mortgage Pandbrieven will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Mortgage Pandbrieven including Mortgage Pandbrieven with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Mortgage Pandbrieven and be familiar with the behaviour of any relevant indices, securities, assets and/or financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

## Absence of secondary market

There is not, at present, an active and liquid secondary market for the Mortgage Pandbrieven, and no assurance is provided that a secondary market for the Mortgage Pandbrieven will emerge. The Arrangers are not obliged to and do not intend to make a market for the Mortgage Pandbrieven. None of the Mortgage Pandbrieven has been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under "Subscription and Sale". If a secondary market does emerge, it may not continue for the life of the Mortgage Pandbrieven or it may not provide Pandbrieven Holders with liquidity of investment with the result that a Pandbrieven Holder may not be able to find a buyer to buy its Mortgage Pandbrieven readily or at prices that will enable the Pandbrieven Holder to realise a desired yield.

The Issuer may, but is not obliged to, list an issue of Mortgage Pandbrieven on a stock exchange or regulated market. If Mortgage Pandbrieven are not listed or traded on any stock exchange or regulated market, pricing information for the relevant Mortgage Pandbrieven may be more difficult to obtain and the liquidity of such Mortgage Pandbrieven may be adversely affected, and therefore the price of the Mortgage Pandbrieven could be affected by their limited liquidity.

If Mortgage Pandbrieven are not listed or traded on a stock exchange or regulated market, they may be traded on trading systems governed by the laws and regulations in force from time to time (e.g. multilateral trading systems) or in other trading systems (e.g. bilateral systems, or equivalent trading systems). In the event that trading in such Mortgage Pandbrieven takes place outside any such stock exchange, regulated market or trading systems, the manner in which the price of such Mortgage Pandbrieven is determined may be less transparent and the liquidity of such Mortgage Pandbrieven may be adversely affected. Investors should note that the Issuer does not grant any warranty to Pandbrieven Holders as to the methodologies used to determine the price of Mortgage Pandbrieven which are traded outside a trading system, however, where the Issuer or any of its affiliates determines the price of such Mortgage Pandbrieven, it will take into account the market parameters applicable at such time in accordance with applicable provisions of law. Even if Mortgage Pandbrieven are listed and/or admitted to trading, this will not necessarily result in greater liquidity.

Each of the Issuer and any Dealer may, but is not obliged to, at any time purchase Mortgage Pandbrieven at any price in the open market or by tender or private agreement. Any Mortgage Pandbrieven so purchased may be held or resold or surrendered for cancellation. If any Mortgage Pandbrieven are redeemed in part, then the number of Mortgage Pandbrieven outstanding will decrease, which will reduce liquidity for the outstanding Mortgage Pandbrieven. Any such activities may have an adverse effect on the price of the relevant Mortgage Pandbrieven in the secondary market and/or the existence of a secondary market.

Any Dealer or any of its affiliates may, but is not obliged to, be a market maker, liquidity provider, specialist or bid intermediary, for an issue of Mortgage Pandbrieven. Even if a Dealer is a market-maker, liquidity provider, specialist or bid intermediary for an issue of Mortgage Pandbrieven, the secondary market for such Mortgage Pandbrieven may be limited and there is no assurance given as to the price offered by a market-maker, liquidity provider, specialist or bid intermediary or the impact of any such quoted prices on those available in the wider market and any such activities may be affected by legal restrictions in certain jurisdictions.

The appointment of an entity acting as a market maker, liquidity provider, specialist or bid intermediary with respect to the Mortgage Pandbrieven, may, under certain circumstances, have a relevant impact on the price of the Mortgage Pandbrieven in the secondary market.

If it is possible to sell Mortgage Pandbrieven, they would be sold for the prevailing bid price in the market and may be subject to a transaction fee. The prevailing bid price may be affected by several factors including prevailing interest rates at the time of sale, the time remaining to the stated maturity date, the creditworthiness of the Issuer and factors affecting the capital markets generally. The introduction of additional or competing products in the market may also have a negative effect on the price of any Mortgage Pandbrieven. It is therefore possible that an investor selling Mortgage Pandbrieven in the secondary market may receive substantially less than their original purchase price.

In addition, Pandbrieven Holders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for debt securities backed or collateralised by, amongst other things, residential mortgage loans. As a result of the current liquidity crisis, there exist significant additional risks to the Issuer and the investors which may affect the returns on the Mortgage Pandbrieven to investors.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including debt securities backed or collateralised by, amongst other things, residential mortgage loans. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for debt securities backed or collateralised by, amongst other things, residential mortgage loans will recover at the same time or to the same degree as such other recovering global credit market sectors.

### Limited liquidity in the secondary market in mortgage loans

The secondary mortgage markets are currently experiencing severe disruptions resulting from reduced investor demand for mortgage loans and increased investor yield requirements for those loans. As a result, the secondary market for mortgage loans is experiencing extremely limited liquidity. These conditions may continue or worsen in the future. This may, amongst other things, affect the ability of the Issuer or the Cover Pool Administrator, to obtain timely funding to fully redeem maturing Series with the sale proceeds of Cover Assets.

Limited liquidity in the secondary market may continue to have a severe adverse effect on the market value of debt securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, an investor in the Mortgage Pandbrieven may not be able to sell its Mortgage Pandbrieven readily. The market values of the Mortgage Pandbrieven are likely to fluctuate and may be difficult to determine. Any of these fluctuations may be significant and could result in significant losses to such investor.

In addition, the forced sale into the market of debt securities held by structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties could adversely affect an investor's ability to sell, and/or the price an investor receives for, the Mortgage Pandbrieven in the secondary market.

#### Counterparty risk exposure

The ability of the Issuer to make payments under the Mortgage Pandbrieven is subject to general credit risks, including credit risks of Borrowers. Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include borrowers under loans granted, trading counterparties, counterparties under swaps and credit and other derivative contracts, agents and other financial intermediaries. These parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

## **Credit ratings**

The Issuer has a senior debt rating from Standard & Poor's Credit Market Services Europe Limited (**S&P**) of A (stable outlook), a senior debt rating from Moody's France SAS (**Moody's**) of A1 (stable outlook) and a senior debt rating from Fitch Ratings Ltd. (**Fitch**) of A+ (stable outlook).

Mortgage Pandbrieven issued under the Programme may be rated or unrated and one or more independent credit rating agencies may assign (additional) credit ratings to the Mortgage Pandbrieven or the Issuer. Where a Tranche of Mortgage Pandbrieven is rated, such rating will not necessarily be the same as the ratings assigned to other Tranches or Series of Mortgage Pandbrieven.

The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Mortgage Pandbrieven and the ability of the Issuer or the Issuer to make payments under the Mortgage Pandbrieven (including but not limited to market conditions and funding related and operational risks inherent to the business of the Issuer). A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant. Over the course of the past years, the Issuer has from time to time been subject to its ratings being lowered.

In the event that a rating assigned to the Mortgage Pandbrieven or the Issuer is subsequently suspended, lowered or withdrawn for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Mortgage Pandbrieven, the Issuer may be adversely affected, the market value of the Mortgage Pandbrieven is likely to be adversely affected and the ability of the Issuer to make payments under the Mortgage Pandbrieven may be adversely affected.

In addition, the Issuer's bank assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements and thus a need to deleverage. This may impact net earnings and the return on capital, and may have an adverse impact on the Issuer's financial position and ability to make payments under the Mortgage Pandbrieven.

## The return on an investment in Mortgage Pandbrieven will be affected by charges incurred by investors

An investor's total return on an investment in Mortgage Pandbrieven will be affected by the level of fees charged to the investor, including fees charged to the investor as a result of the Mortgage Pandbrieven being held in a clearing system. Such fees may include charges for opening accounts, transfers of securities, custody services and fees for payment of principal, interest or other sums due under the terms of the Mortgage Pandbrieven. Investors should carefully investigate these fees before making their investment decision.

## Tax risk

This Base Prospectus includes general summaries of the Belgian tax considerations relating to an investment in the Mortgage Pandbrieven. Such summaries may not apply to a particular holder of Mortgage Pandbrieven or to a particular issue and do not cover all possible tax considerations. In addition, the tax treatment may change before the maturity of Mortgage Pandbrieven. Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Mortgage Pandbrieven in its particular circumstances.

#### Risks relating to FATCA

In certain very exceptional circumstances the Issuer, the Fiscal Agent and certain other entities through which payments on the Mortgage Pandbrieven are made might be required to withhold U.S. tax at a rate of 30% on a portion of interest payments made in respect of Mortgage Pandbrieven that would be treated as debt for U.S. federal tax purposes, pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code and the regulations and other guidance promulgated thereunder (**FATCA**).

Under FATCA, non-U.S. financial institutions generally will be required to enter into agreements with the U.S. Internal Revenue Service (the **IRS**) to identify financial accounts held by certain U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term financial institution includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests. If a participating financial institution makes a relevant payment to an accountholder that has not provided information requested to establish the accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor might be required to withhold 30% on a portion of the payment which is or is deemed to be from US source. However, the IRS is further considering the treatment of these so called foreign pass-through payments and it is uncertain whether and how this rule will ultimately apply to the Issuer or the Mortgage Pandbrieven.

If the Issuer or one of its agents were required to withhold any amount from any payment on the Mortgage Pandbrieven in respect of FATCA, there will be no "gross up" (or any other additional amount) payable by way of compensation to the investor for the withheld amount. An investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts withheld pursuant to the FATCA rules, though the investor would have to file a U.S. tax return to claim this refund and may not be entitled to interest from the IRS for the period prior to the refund.

On 23 April 2014, the Belgian and US governments signed an Intergovernmental Agreement (IGA) intended to implement FATCA in Belgium. The Belgian IGA is a so-called Model 1 agreement, meaning that foreign financial institutions established in Belgium will be required to report information on U.S. accountholders directly to the Belgian tax authorities, who in turn will report to the IRS. The Belgian IGA is intended to simplify FATCA requirements for Belgian financial institutions but in many case still requires significant efforts to maintain compliance.

Belgium has implemented FATCA in its domestic legislation by a law of 16 december 2015 ("Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden") Under this law, Belgian financial institutions holding Mortgage Pandbrieven for "US accountholders " and for "Non US owned passive Non Financial Foreign entities" are held to report financial information regarding the Mortgage Pandbrieven (income, gross proceeds,...) to the Belgian competent authority, who shall communicate the information to the US tax authorities.

FATCA is particularly complex and its application to the Issuer or the Mortgage Pandbrieven issued is uncertain at this time. Each holder of Mortgage Pandbrieven should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in its specific circumstance, in particular if it may be, or hold its interest through an entity that is, classified as a financial institution under FATCA.

#### PART 2 - RISK FACTORS RELATING TO THE ISSUER AND ITS OPERATIONS

#### Risks related to financial conditions, market environment and general economic trends

Because the Issuer is part of a financial services company conducting business on a global basis, its revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments specific to the geographic regions in which it conducts business. The on-going turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability, liquidity and solvency of the Issuer's business.

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate values, private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, and terrorism all impact the business and economic environment and, ultimately, the Issuer's solvency, liquidity and the amount and profitability of business the Issuer conducts in a specific geographic region. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending, the demand for banking products is usually adversely affected and the Issuer's reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders' equity. The Issuer also offers a number of financial products that expose it to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also "Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability", "Continued risk of resurgence of turbulence and on-going volatility in the financial markets and the economy generally have adversely affected the Issuer, and may continue to adversely affect the Issuer and its business, financial condition and results of operations" and "Market conditions observed over the past few years may increase the risk of loans being impaired. The Issuer is exposed to declining property values on the collateral supporting residential and commercial real estate lending" below.

In case one or more of the factors mentioned above adversely affects the profitability of the Issuer's business, this might also result, among other things, in the following:

- reserve and provisions inadequacies which could ultimately be realised through profit
  and loss and shareholders' equity; the write-down of tax assets impacting net results
  and/or equity;
- impairment expenses related to goodwill and other intangible assets, impacting net results and/or equity;
- movements in risk-weighted assets for the determination of required capital;
- changes in credit valuation adjustments and debt valuation adjustments; and/or
- additional costs related to maintenance of higher liquidity buffers and/or collateral placements.

Shareholders' equity and the Issuer's net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact on shareholders' equity and net result in future periods, including as a result of the potential consequences listed above. See "Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected the Issuer, and may continue to adversely affect the Issuer, its business, financial condition and results of operations" and "The Issuer operates in highly regulated industries - Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing its business may reduce its profitability" below.

## Adverse capital and credit market conditions may impact the Issuer's ability to access liquidity and capital, as well as the cost of liquidity, credit and capital

The capital and credit markets have continued to experience substantial volatility and disruption over the past few years. Adverse capital and credit market conditions may affect the availability and cost of borrowed funds, thereby impacting the Issuer's ability to support and/or grow its businesses.

The Issuer needs liquidity to pay its operating expenses, interest on its debt and dividends on its capital stock, maintain its securities lending activities, and replace certain maturing liabilities. Without the sufficient liquidity, the Issuer will be forced to curtail its operations and its business will suffer. The principal sources of the Issuer's funding include a variety of short- and long-term instruments, including deposit fund, repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt, capital securities and shareholders' equity.

In the event that the Issuer's current resources do not satisfy its needs, it may need to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, its credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of its long- or short-term financial prospects. Similarly, the Issuer's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. If the Issuer's internal sources of liquidity prove to be insufficient, there is a risk that it may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions the Issuer might take to access financing may, in turn, cause rating agencies to re-evaluate its ratings.

Disruptions, uncertainty or volatility in the capital and credit markets, including in relation to the ongoing European sovereign debt crisis, may also limit the Issuer's access to capital. Such market conditions may in the future limit the Issuer's ability to raise additional funding to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force the Issuer to (i) delay raising capital, (ii) reduce, cancel or postpone interest payments on its other securities, (iiii) issue capital of different types or under different terms than the Issuer would otherwise, or (iv) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both the Issuer's profitability and its financial flexibility. The Issuer's results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

In the course of 2008 and 2009, governments around the world, including the Belgian and Dutch government as far as respectively the Issuer and ING Bank, the Issuer's holding company, are concerned, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases, governments nationalised companies or parts thereof. The measures adopted in The Netherlands include both emergency funding and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on 10 October 2009 and the Credit Guarantee Scheme of the Netherlands expired on 31 December 2010. ING's participation in certain of these measures has resulted in certain material restrictions on it. Any potential future transactions with the Dutch government or any other government, if any, or actions by such government regarding ING Bank or ING generally could adversely impact the position or rights of bondholders, customers or creditors and the Issuer's results, operations, solvency, liquidity and governance.

ING Bank and the Issuer are subject to the jurisdiction of their respective banking regulatory bodies, some of which have proposed regulatory changes in recent years that, if implemented, would hinder their ability to manage their respective liquidity in an efficient manner.

### The default of a major market participant could disrupt the markets

Within the financial services industry, the severe distress or default of any one institution (including sovereigns and central counterparties (CCPs)) could lead to defaults or severe distress of, other market participants. Such distress of, or default by, an influential financial institution could disrupt markets or clearance and settlement systems in the Issuer's markets and lead to a chain of defaults

by other financial institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a sovereign or financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by the Issuer or ING Bank or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis and financial instruments of sovereigns in which the Issuer invests. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on its business, financial condition, results of operations, liquidity, solvency position and/or prospects. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

## The Issuer operates in highly regulated industries.

## Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing its business may reduce its profitability.

The Issuer is subject to detailed banking and other financial services laws and government regulation in the jurisdictions in which it conducts business. Regulatory agencies have broad administrative power over many aspects of its business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, record keeping, product and sale suitability, marketing and sales practices, remuneration policies, personal conduct and the Issuer's own internal governance practices. Also, regulators and other supervisory authorities in the European Union (EU), the United States (U.S.) and elsewhere continue to scrutinize payment processing and other transactions and activities of the financial services industry through laws and regulations governing such matters as money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

In light of current conditions in the global financial markets and the global economy, regulators around the world have increased their focus on the regulation of the financial services industry. Most of the principal markets where the Issuer conducts its business have adopted, or are currently in the implementation phase of, major legislative and/or regulatory initiatives in response to the financial crisis. Various initiatives and measures have been taken at the level of the European Union or at the level of national governments, including a stress test exercise coordinated by the European Banking Authority in cooperation with the European Central Bank, a liquidity risk assessments at European and national levels and the adoption of a new regulatory framework, including the so-called "banking Union" as a result of which the responsibility for the supervision of the major Eurozone credit institutions (including the Issuer) has been assumed at European level (see below - Single Supervisory Mechanism). Governmental and regulatory authorities in the Benelux and elsewhere have implemented, or are in the process of implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including, among others, in the areas of prudential rules, liquidity and capital requirements, executive compensation, crisis and contingency management, bank taxes and financial reporting. Additionally, governmental and regulatory authorities in a multitude of jurisdictions continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions).

Furthermore, the Issuer is subject to different tax regulations in each of the jurisdictions where it conducts business. Changes in tax laws could increase the Issuer's taxes and its effective tax rates. Legislative changes could materially impact the Issuer's tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on the its business, results of operations and financial condition. One such change relates to the current debate in the U.S. over corporate tax reform for multinational corporations and corporate tax rates. Changes in tax laws could also make certain Issuer's products less attractive, which could have adverse consequences for the Issuer's businesses and results.

In addition, the International Accounting Standards Board (IASB) has issued and proposed certain amendments to several IFRS standards during the course of 2012, and 2013, which changes include a package of amendments to the accounting requirements for financial instruments announced in November 2013, introducing a new hedge accounting model and allowing changes to address the so-

called "own credit" issue that were already included in IFRS 9 Financial Instruments. As of July 2014, IFRS 9 replaced IAS 39, the accounting standard heavily criticised in the wake of the financial crisis, for annual periods beginning on or after 1 January 2018 with early adoption permitted. Such changes could also have a material impact on the Issuer's reported results and financial condition, as well as on how it manages its business, internal controls and disclosure.

Compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations may materially increase costs. The Issuer expects the scope and extent of regulation in the jurisdictions in which it conducts its business, as well as regulatory oversight and supervision, to generally continue to increase. However, the Issuer cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on its business, results of securities operations and financial condition. Regulation is becoming increasingly more extensive and complex and the industries in which the Issuer operates are increasingly coming under the scrutiny of regulators, and affected companies, including the Issuer, are required to meet the demands, which often necessitate additional resources. These regulations can limit the activities of the Issuer, among other things, through stricter net capital, customer protection and market conduct requirements and restrictions on businesses in which it can operate or invest.

The Issuer expects the scope and extent of regulation in the jurisdictions in which it conducts its business, as well as regulatory oversight and supervision, to generally continue to increase. Despite the Issuer's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or are under development, or where regulations may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, which could result in the Issuer's failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against the Issuer, which could result, among other things, in suspension or revocation of its licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm the Issuer's results of operations and financial condition. If the Issuer fails to address, or appears to fail to address, any of these matters appropriately, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against it or subject it to enforcement actions, fines and penalties.

## Basel III and CRD IV

In December 2010, the Basel Committee on Banking Supervision (the Basel Committee) announced higher global minimum capital standards for banks, and introduced a new global liquidity standard and a new leverage ratio. A revised version of Basel III was published in June 2011. The Basel Committee's package of reforms, collectively referred to as the Basel III rules, among other requirements, have increased the amount of common equity required to be held by subject banking institutions, will prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment, and will limit leverage. Banks will be required to hold a "capital conservation buffer" to withstand future periods of stress such that the total Tier 1 common equity ratio will rise to 7% of risk-weighted assets (i.e. assets adjusted to their associated risks). Basel III also introduced a "countercyclical buffer" as an extension of the capital conservation buffer, which would allow national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital, such that it will have the effect of disqualifying many hybrid securities, including those issued by ING Bank, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and the Financial Stability Board (the FSB) published measures in October 2011 that will have the effect of requiring higher lossabsorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, "systemically important financial institutions" (SIFIs) and so-called "Global" SIFIs (G-SIFI), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures began in 2012, and full implementation is targeted for 2019. ING Bank was designated by the Basel Committee and the FSB as one of the global systemically important banks (G-SIBs), forming part of the G-SIFIs, in 2011, 2012, 2013, 2014 and 2015, and by the Dutch Central Bank (De Nederlandsche Bank N.V., "DNB")

and the Dutch Ministry of Finance as a domestic SIFI in November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which the Issuer participates. As a result of such monitoring exercises and ongoing discussions within the regulatory environment, revisions have been made to the original Basel III proposals such as the capital standards from January 2013, the revised Net Stable Funding Ratio and Leverage Ratio in January 2014 and the revised Liquidity Coverage Ratio in October 2015. It remains to be seen whether further amendments to the 2010 framework and standards will be made by the Basel Committee in the coming years.

For European banks, the Basel III requirements were implemented through Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV Directive and together with the CRR, CRD IV). The CRR entered into force on 28 June 2013 and the CRD IV Directive on 17 July 2013, and all banks and investment firms in the EU (as opposed to the scope of the Basel III requirements, which apply to "internationally active banks") are required to apply the new rules from 1 January 2014 in phases over a number of years. While the full impact of these rules, and any additional requirements for SIFIs or G-SIFIs, if and as applicable to ING Bank and/or to the Issuer, will depend on how the CRD IV Directive is transposed into national laws in each Member State, including the extent to which national regulators and supervisors can set more stringent limits and additional capital requirements or surcharges. As a next phase in regulatory requirements for banks' risk and capital management, the regulators are focusing on the required capital calculations across banks. Since the start of the financial crisis there has been much debate on the risk-weighted capitalisation of banks, and specifically on whether internal models are appropriate for such purposes. These developments suggest that stricter rules may be applied by a later framework. The Basel Committee released several consultative papers, containing proposals to change the methodologies for the calculation of capital requirements. Within these proposals the Basel Committee suggests methods to calculate risk-weighted assets (RWA) using more standardised or simpler methods in order to achieve greater comparability, transparency and consistency. These proposals will likely impact the capital requirements for currently reported exposures (e.g. credit risk via revised standardised RWA floor) but may also lead to new capital requirements (e.g. proposals to enhance Interest Rate Risk in Banking Book). The current proposals, as well as on the economic and financial environment at the time of implementation and beyond, can have a material impact on their respective operations and financial condition and they may require ING Bank and/or the Issuer to seek additional capital. In the Credit Institutions Supervision Law, deadlines for the implementation of the capital requirement rules are more stringent than in Basel III and the CRD IV.

## Single Supervisory Mechanism

In response to the financial crisis, European leaders agreed on setting up a Banking Union with common rules in respect of prudential supervision, management of failing institutions and depositor protection for financial actors in all member states, forming a Single Rulebook

In order to ensure common implementation of such rules, in October 2013, the European Council adopted a single supervisory mechanism (**SSM**), to be composed of national competent authorities and the European Central Bank (**ECB**), as part of the prospective EU banking union. In November 2014, the ECB assumed responsibility for a significant part of the prudential supervision of banks in the Eurozone, including ING Bank, following a year-long preparatory phase which included an indepth comprehensive assessment of the resilience and balance sheets of the biggest banks in the Eurozone. On 26 October 2014, the ECB announced that ING Bank passed the asset quality review and stress test.

In its capacity as principal bank supervisor in the European Union, the ECB has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, and to impose monetary and other sanctions. For example, under the SSM, the regulators with jurisdiction over the Issuer, including the ECB, may conduct stress tests and have discretion to impose capital surcharges on financial institutions for risks that are not otherwise recognised in risk-weighted assets or other surcharges depending on the individual situation of the bank and take or require other measures, such as restrictions on or changes to the

Issuer's business. Competent regulators may also, if the Issuer fails to comply with regulatory requirements, in particular with minimum capital requirements (including buffer requirements) or with liquidity requirements, or if there are shortcomings in its governance and risk management processes, prohibit the Issuer from making dividend payments to shareholders or distributions to holders of our regulatory capital instruments. Generally, a failure to comply with the new quantitative and qualitative regulatory requirements could have a material adverse effect on the Issuer's business, financial condition and results of operations.

In addition to the creation of the SSM, the European institutions have also agreed on the establishment of a Single Resolution Mechanism (SRM), which, in line with the SSM, provides for the creation of a Single Resolution Board which is a centralised power of resolution, competent to assess and propose resolution plans in the event of a bank resolution of institutions such as ING Bank and the Issuer. The aim is that the SRB is be responsible for key decisions on how a bank, subject to SSM supervision, is to be resolved if a bank has irreversible financial difficulties and cannot be wound up under normal insolvency proceedings without destabilising the financial system. The SRB is a key element of the SRM and is European resolution authority for the Banking Union and is fully operational, with a complete set of resolution powers, as of 1 January 2016. The SRB works in close cooperation with the national resolution authorities such as the Belgian resolution authority. The SRB is also in charge of the Single Resolution Fund, a pool of money financed by the banking sector which will be set up to ensure that medium-term funding support is available while a credit institution is being restructured (see *infra*, *Bank Recovery and Resolution Regime*).

### Law on the Legal Status and Supervision of Credit Institutions

The banking regime in Belgium is governed by the Law on the Legal Status and Supervision of Credit Institutions of 25 April 2014 (the Credit Institutions Supervision Law). The Credit Institutions Supervision Law replaced the Act on the Legal Status and Supervision of Credit Institutions of 22 March 1993 and its subsequent modifications. The Credit Institutions Supervision Law sets forth the conditions under which the Issuer may operate in Belgium and defines the regulatory and supervisory powers of the Supervisor. The Credit Institutions Supervision Law aims to reinforce the financial solidity of Belgian credit institutions by way of, inter alia, strengthening own funds, imposing stricter liquidity requirements and limits on distributions. The Credit Institutions Supervision Law largely follows the evolution of European legislation. It implements, among other things, the CRD IV Directive and, where applicable, the CRR. The CRR was directly applicable as from 1 January 2014, subject to further implementation and phased introduction of certain provisions, set out therein. The Credit Institutions Supervision Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and hereto introduces a dual governance structure at management level, specialised committees within the board (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including limits on the amount of compensation, the form and timing for vesting and payment of variable remuneration, as well as reduction and claw-back mechanics). The Credit Institutions Supervision Law also introduces a prohibition in principle of proprietary trading. The prohibition applies to the Issuer as from 1 January 2015. However, some proprietary trading activities are excluded from the prohibition. Permitted proprietary trading activities (including market-making, hedging, treasury management and long-term investments) are capped, and these types of activities must comply with strict requirements on reporting, internal governance, and risk-management.

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

It should also be noted that certain of the European initiatives (in particular the prohibition on proprietary trading) to be transposed into Belgian law pursuant to the Credit Institutions Supervision Law are still in draft form, or subject to political discussion, at the European level. Whilst the Credit Institutions Supervision Law contains powers to allow the government to conform the Credit

Institutions Supervision Law to developments at a European level in certain areas through a royal decree, it cannot be ruled out that there will be differences between the regulatory regime promulgated by the relevant European directives and the regulatory regime of the Credit Institutions Supervision Law.

Although the Issuer works closely with its regulators and continually monitors regulatory developments, there can be no assurance that the additional regulatory or capital requirements included in the Credit Institutions Supervision Law will not have an adverse impact on the Issuer, its business, financial condition or results of operations.

## Bank Recovery and Resolution Regimes

On 6 May 2014, the Council of the European Union adopted Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (the **BRR Directive**).

The stated aim of the BRR Directive is to provide relevant supervisory and resolution authorities, including the resolution college of the National Bank of Belgium within the meaning of Article 21ter of the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium or any successor body or authority (the **National Resolution Authority**), with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The BRR Directive was further complemented by the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending the SRM, entered into force on 19 August 2014. From that moment, a centralized power of resolution has been established and entrusted to the Single Resolution Board, which is operational as from 1 January 2016 and works in close operation with the national resolution authorities of participating Member States.

The BRR Directive had been transposed into Belgian law as from 6 March 2015. Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities (which includes the National Resolution Authority) are able to take a number of measures in respect of any credit institution it supervises if deficiencies in such credit institution's operations are not remedied. Such measures include: the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; the limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; the replacement of the institution's directors or managers; the revocation of the institution's licence; and the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional Tier 1 capital instruments.

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

The Credit Institutions Supervision Law allows the National Resolution Authority to take resolution actions. Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for that purpose which is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down.

Implementation by the supervisory and/or resolution authorities of any of their powers of intervention could have significant consequences on the Issuer's profitability, operations and financing costs. Moreover, as these are new rules and as there remain a number of important implementing measures that still need to be adopted, there is considerable uncertainty about the potential effect thereof on the business and operations of the Issuer and how the authorities may choose to exercise the powers afforded to them under such laws and regulations.

#### **Dodd-Frank Act**

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (**Dodd-Frank** or the **Dodd-Frank Act**) was signed into law in the U.S. The Dodd-Frank Act effects comprehensive changes to the regulation of financial services in the U.S. and has implications for non-U.S. financial institutions with a U.S. presence or that transact with U.S. counterparties, such as ING Bank or the Issuer. Dodd-Frank directs existing and newly-created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, many of which are in place. Due to the extended period over which regulations are being implemented, the Issuer cannot predict with certainty how Dodd-Frank and such regulations will affect the financial markets generally and impact the Issuer's business, credit ratings, results of operations, cash flows or financial condition or liquidity.

# Foreign Account Tax Compliance Act

Under the Foreign Account Tax Compliance Act (FATCA), a U.S. federal tax legislation passed in 2010, a 30% withholding tax will be imposed on "withholdable payments" made to non-U.S. financial institutions (including non-U.S. investment funds and certain other non-U.S. financial entities) that fail (or, in some cases that have 50% affiliates which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. accountholders and/or certain U.S. investors (such U.S. accountholders and U.S. investors, together being referred to herein as "U.S. accountholders") to the U.S. Internal Revenue Service (the IRS). In general, non-publicly traded debt and equity interests in investment vehicles will be treated as "accounts" and subject to these reporting requirements. For non-U.S. financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a U.S. person or would otherwise be entitled to an exemption from U.S. federal withholding tax. Withholdable payments generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. Furthermore, FATCA may as from January 2017 at the earliest also impose withholding on non-U.S. source payments by non-U.S. financial institutions that comply with FATCA to non-U.S. financial institutions that fail to comply with FATCA. Withholding pursuant to FATCA will take effect on a "phased" schedule, which started in July 2014 with respect to the U.S.-source payments and will start no earlier than January 2017 with respect to non-U.S.-source payments by non-U.S. financial institutions. In general, non-publicly traded debt and equity interests in investment vehicles will be treated as "accounts" and subject to these reporting requirements.

Some countries, including The Netherlands, Luxembourg and Belgium, have entered into, and other countries are expected to enter into, intergovernmental agreements (**IGAs**) with the United States to facilitate the type of information reporting required under FATCA. While the existence of IGAs will not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs will often require financial institutions in those countries to report some information on their U.S. accountholders to the taxing authorities of those countries, who will then pass on the information to the IRS. This is the case for the Belgian IGA, which is a so-called Model 1 agreement which requires foreign financial institutions established in Belgium to report information on U.S. accountholders directly to the Belgian tax authorities, who will in turn transfer the reported information to the IRS.

Under the Belgian law implementing the FATCA legislation ("Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden" of 16 December 2015.), Belgian financial institutions holding Mortgage Pandbrieven for "US accountholders " and for "Non US owned passive Non Financial Foreign entities"

shall report financial information regarding the Mortgage Pandbrieven (income, gross proceeds,..) to the Belgian competent authority, who shall communicate the information to the US tax authorities.

The Issuer intends to take all necessary steps to comply with FATCA. However, if the Issuer for whatever reason cannot satisfy the requirements thereunder (including as a result of the failure of accountholders or other investors to provide requested information), certain payments to the Issuer may be subject to withholding under FATCA. The possibility of such withholding and the need for accountholders and investors to provide certain information may adversely affect the sales of certain of the Issuer's products. In addition, compliance with FATCA any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA may substantially increase the Issuer's overall compliance costs.

#### EU Directive on the taxation of savings income

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

In October 2014, however, Austria reportedly agreed to a proposal amending Directive 2011/16/EU on Administrative Cooperation in the field of Taxation which aims at reinforcing current EU legislation in the field of automatic exchange of information, which may ultimately lead to Austria abolishing the withholding system. The proposal was finally adopted on 9 December 2014 as Directive 2014/107/EU. The main purpose of Directive 2014/107/EU is to provide the Member States with a legal basis for the implementation of the OECD Common Reporting Standards, i.e. the new global standard on automatic exchange of tax information.

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

If a payment were to be made or collected through a Member State (or through another state or territory that has adopted similar measures as the ones that are included in the Savings Directive) that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

The Savings Directive has, however, been repealed with effect as from 1 January 2016 (save in the case of Austria, for which special transitional rules apply). This repeal intends to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU) that has entered into force on 1 January 2016. Given the abolishment of the Savings Directive, Member States are not required to apply the new

requirements of the Council Directive 2014/48/EU amending and broadening the scope of the EU Savings Directive.

#### Exchange of information: Common Reporting Standard

The Mortgage Pandbrieven are subject to the Directive on Administrative Cooperation (DAC2) (2014/107/EU) of 9 December 2014. Under this Directive (and the Belgian law implementing this Directive ("Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden" of 16 December 2015.), Belgian financial institutions holding the Mortgage Pandbrieven for tax residents in another CRS contracting state, shall report financial information regarding the Mortgage Pandbrieven (income, gross proceeds,...) to the Belgian competent authority, who shall communicate the information to the competent authority of the state of the tax residence of the beneficial owner.

### The Financial Stability Board (FSB)

In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. One of the proposals is a common international standard on Total Loss-Absorbing Capacity (TLAC) for G-SIBs. The policy proposal consists of a set of principles and a detailed term sheet on the adequacy of loss-absorbing and recapitalisation capacity of G-SIBs. TLAC was proposed on 9 November 2015 taking into account a consultation and impact assessment studies. G-SIBs' TLAC positions should be disclosed and monitored as from 1 January 2019. The lawmakers and regulatory authorities in a number of jurisdictions in which the Issuer conducts business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, and the potential impact of such changes on the Issuer's business, results of operations and financial condition remains unclear.

### Additional Governmental Measures

Governments in Belgium, The Netherlands, Luxembourg and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject the institutions for which they were designed to additional restrictions, oversight or costs.

In February 2013, the EC adopted a proposal setting out the details of the financial transaction tax, which mirrors the scope of its original proposal of September 2011, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the financial transaction tax (FTT) zone (FTT zone), initially limited to 11 participating Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal foresaw the financial transaction tax for the 11 participating Member States entering into effect on 1 January 2014, which would have then required the Issuer to pay a tax on transactions in financial instruments with parties (including its affiliates) located in such FTT-zone. The actual implementation date would thus depend on the future approval by the European Council and consultation of other EU institutions, and the subsequent transposition into local law. On 6 May 2014, the Economic and Financial Affairs Council noted that 10 out of the 11 original participating Member States had proposed implementation of the FTT in two stages, the earliest stage being implemented from 1 January 2016. However, on 31 October 2014, the Italian Presidency of the Council of the EU announced that negotiations between participating Member States had yet to agree on key issues. The actual implementation date will thus depend on the future approval by the European Council and consultation of other EU institutions, and the subsequent transposition into local law. Depending on its final form, the introduction of an FTT in Belgium or outside Belgium could have a substantial adverse effect on the Issuer's business and results. The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Mortgage Pandbrieven.

As from 1 January 2012, the Issuer is subject to a bank levy ("financial stability contribution" as introduced by the law of 28 December 2011). This levy results in increased taxes on the Issuer's banking operations, which could negatively impact its operations, financial condition and liquidity.

Moreover, in March 2015, Belgian government parties reached a political agreement on e.g. certain changes to be brought about in the legislation concerning the notional interest deduction. These changes would imply (part) of the prudential equity of banks being excluded from their notional interest deduction computation basis, and could therefore, depending on the concrete circumstances, have an adverse impact on the financial and tax position of the Issuer.

Continued risk of resurgence of turbulence and on-going volatility in the financial markets and the economy generally have adversely affected the Issuer, and may continue to adversely affect the Issuer and its business, financial condition and results of operations

#### General

The Issuer's business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the on-going European sovereign debt crisis, the potential exit of certain countries from the Eurozone, unemployment, the availability and cost of credit, credit spreads, quantitative easing within the Eurozone through bond repurchases, the ECB's targeted long-term refinancing operation (TLTRO), the level of U.S. national debt and the U.S. housing market, inflation/deflation levels, energy costs and heightened geopolitical issues, such as those in connection with Ukraine and Russia and subsequent economic sanctions on certain of Russian individuals and business entities imposed by the U.S. and European governments, all have contributed to increased volatility and diminished expectations for the economy and the markets in the recent years.

While certain of such conditions improved during the period between 2011 and 2014, these conditions have generally resulted in greater volatility, widening of credit spreads, overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of assetbacked securities and other structured products significantly deteriorated following the financial crisis in 2008 and have not fully recovered. Concerns over pricing have included a broad range of fixed income securities (including those rated investment grade and especially the sovereign debt of some EEA countries and the U.S. the international credit and interbank money markets generally), and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments in regions where the Issuer operates, have experienced budgetary and other financial difficulties, which have resulted in austerity measures and downgrades in credit rating by credit agencies. As a result, the market for fixed income instruments has experienced from time to time decreased liquidity, increased price volatility, credit downgrade events and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including the Issuer, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including high levels of volatility, have had and may continue to have an adverse effect on the Issuer's financial performance.

In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to the Issuer's or its competitors' failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on the Issuer's revenues and results of operations, including through a withdrawal of deposits. Because a significant percentage of the Issuer's customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

# European Sovereign Debt Crisis

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU "peripheral" Member States to continue to service their sovereign debt obligations. Significant concerns regarding the sovereign debt of these countries, as well as certain other countries, of the "core" EU Member States are on-going and, in some cases have required countries to obtain emergency financing. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. Despite the creation of a European Financial Stability Facility as a temporary rescue mechanism in May 2010, assistance packages to Greece (which expired on 30 June 2015), Ireland, Portugal and Cyprus, the approval of a further bailout of Greece by the relevant government and monetary bodies of the Eurozone and the International Monetary Fund in March 2012, and the establishment of the European Stability Mechanism in October 2012 (which provided its first financial assistance in February 2013 for the recapitalisation of Spain's banking sector and, in May 2013, granted a financial assistance agreement for Cyprus after the Eurozone finance ministers (Eurogroup) backed a bailout of Cyprus), uncertainty over the outcome of the EU governments' financial support programmes and concerns regarding sovereign finances persisted during the course of 2014. Market concerns over the direct and indirect exposure of European banks to the EU sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long-term fiscal responsibility on the part of the individual Member States and bolster market confidence in the Euro and European sovereign debt; to this end, the Treaty on Stability, Coordination and Governance (Fiscal Treaty) was signed by 25 EU Member States in March 2012 and entered into force on 1 January 2014 and ratifies by and entered into force for all signatory Member States in April 2014. However, the Fiscal Treaty needs to be implemented into national law of the relevant Member States within one year of the Fiscal Treaty entering into force and incorporated into the existing EU treaties, which is expected to take many years, and even if such steps are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations. Further, despite such longterm structural adjustments and improvements being proposed and implemented, the future of the Euro in its current form, and with its current membership, remains uncertain. The financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability.

Risks and on-going concerns about the debt crisis in Europe, as well as the possible default by, or exit from, the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies, could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these European countries and the financial condition of European and other financial institutions, including the Issuer. For example, concerns regarding Greece's potential exit from the Eurozone created unease in the global economy in late 2014 and ongoing negotiations to provide further relief to Greece continue to impact markets in 2016. These concerns persist in 2016. Furthermore, the potential exit of Great Britain out of the Eurozone (the socalled Brexit) could also have a detrimental impact on the global economy. It is currently too early to predict the impact of a potential Brexit. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, and such capital may not be available. Market and economic disruptions stemming from the crisis in Europe have affected, and may continue to affect, consumer confidence levels and spending, as well as bankruptcy rates and levels of incurrence of, and default on, consumer debt and home prices, among other factors. There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. To the extent uncertainty regarding the economic recovery continues to negatively impact consumer confidence and consumer credit factors, the business and results of operations of the Issuer could be significantly and adversely impacted. In addition, the possible exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies could create significant uncertainties regarding the

enforceability and valuation of Euro-denominated contracts to which the Issuer (or its counterparties) is a party and thereby materially and adversely affect the Issuer and/or its counterparties' liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in Euro is redenominated into a new currency (which may not be easily converted into other currencies without incurring significant cost), (ii) currencies in some Member States may depreciate relative to others, (iii) former Eurozone Member States may impose capital controls that would make it complicated or illegal to move capital out of such countries, and/or (iv) some courts (in particular, courts in countries that have left the Eurozone) may not recognise and/or enforce claims denominated in Euro (and/or in any replacement currency). The possible exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate, and otherwise have potentially materially adverse impacts on the Issuer and its counterparties, including its depositors, lenders, borrowers and other customers. These factors, combined with volatile oil prices, reduced business and consumer confidence and/or continued high unemployment, have negatively affected the economy of main geographic regions where the Issuer conducts its business. The Issuer's results of operations, liquidity position, capital position, investment portfolio and assets under management are exposed to these risks and may be adversely affected as a result. In addition, in the event of extreme prolonged market events, such as the recent global credit crisis, it could incur significant losses and may lead to USD funding shortages for EU banks.

On 13 January 2012, Standard & Poor's Ratings Group, Inc. proceeded to downgrade the credit ratings of France, Austria, Italy, Spain, Portugal and a handful of other EEA states (while reaffirming the credit ratings of Germany, The Netherlands, Ireland and other EEA states and changing the outlook to "negative" for 15 Eurozone countries amongst which, Belgium). Further related downgrades of European sovereign ratings and of corporate ratings have occurred since that date, including, for example, the downgrade of The Netherlands' sovereign debt rating from AAA to AA+ by Standard & Poor's Ratings Group, Inc. on 29 November 2013. On 8 June 2015, Standard & Poor's Ratings Group, Inc. revised the outlook for ING Bank and of the Issuer from negative to stable and affirmed a A/A-1 rating for long-and short-term counterparty credit ratings. These announcements, as well as any future changes, are of high importance to the Issuer, because they affect its financing costs and, as a result, its profitability.

On 14 April 2016, Fitch Ratings has upgraded the ING Bank's long-term issuer default ratings and senior debt ratings from A to A+. The upgrade reflects ING Bank's solid and stable financial metrics, strong execution of its strategy, and Fitch's expectation that the stable and gradually improving earnings will be maintained. Fitch's expectation that higher capital ratios will be targeted, and that capitalisation in the bank will be converging with that in the group, also underpins the upgrade.

Prospective investors in Mortgage Pandbrieven should ensure that they have sufficient knowledge and awareness of the Eurozone crisis, global financial crisis and the economic situation and outlook as they consider necessary to enable them to make their own evaluation of the risks and merits of an investment in the Mortgage Pandbrieven. In particular, prospective investors should take into account the considerable uncertainty as to how the Eurozone crisis, the global financial crisis and the wider economic situation will develop over time.

Because the Issuer operates in highly competitive markets, including in its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results of operations

There is substantial competition in Belgium and the other countries in which the Issuer does business for the types of commercial banking, investment banking and other products and services the Issuer provides. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, investment performance of the Issuer's products, the prices and attributes of products and services, scope of distribution, perceived financial strength, credit ratings and actions taken by competitors. A decline in the Issuer's competitive position as to one or more of these factors could adversely impact its ability to maintain or further increase its market share, which would adversely affect the Issuer's market share, which would adversely affect its results of operations. Such competition is most pronounced in Northern European mature markets, such as Belgium, where the Issuer has leading domestic banking positions. The Issuer's main competitors in

the banking sector are BNP Paribas Fortis, KBC Bank and Belfius Bank. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in such markets may significantly impact the Issuer's results if the Issuer is unable to match the products and services offered by its competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in the Issuer's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity.

The Issuer may experience pricing pressures as a result of these factors in the event that some of its competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan ING Group has been required to agree to certain restrictions imposed by the EC, including with respect to its price leadership in EU banking markets and its ability to make acquisitions of financial institutions and other businesses. Due to the competitive nature of the financial services industry, there can be no assurance that the Issuer will continue to effectively compete within the industry or that competition will not have a material adverse impact on its business, results of operations and financial condition.

# The inability of counterparties to meet their financial obligations could have a material adverse effect on the Issuer's results of operations

Third parties that owe the Issuer's money, securities or other assets may not pay or perform under their obligations. These parties include issuers and guarantors (including sovereigns) of securities the Issuer holds, borrowers under loans originated, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing house and other financial intermediaries. Defaults by one or more of these parties on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, or other factors, or even rumours about potential defaults by one or more of these parties or regarding the financial services industry generally, could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity. In light of experiences with significant constraints on liquidity and the high cost of funds in the interbank lending market and given the high level of interdependence between financial institutions, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to the Issuer's franchise as an important and large counterparty in equity, fixed income and foreign exchange markets, including related derivatives, which would then be exposed to concentration risk.

The Issuer routinely executes a high volume of transactions, such as unsecured debt instruments, derivative transactions and equity investments, with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing merchants, swap dealers and other institutions, resulting in large periodic settlement amounts, which may result in the Issuer having significant credit exposure to one or more of such counterparties or customers. As a result, the Issuer faces concentration risk with respect to liabilities or amounts it expects to collect from specific counterparties and customers. The Issuer is exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers or other financial services institutions could therefore have an adverse effect on the Issuer's results of operations or liquidity.

With respect to secured transactions, the Issuer's credit risk may be exacerbated when the collateral held by it cannot be realised, or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. The Issuer may also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect the Issuer's business, results or financial condition.

In addition, the Issuer is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Issuer holds could result in losses and/or adversely affect the Issuer's ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the Issuer's counterparties could also have a negative impact on the Issuer's income and risk weighting, leading to increased capital requirements.

While in many cases the Issuer is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the Issuer is entitled to receive and the value of pledged assets. The Issuer's credit risk may also be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to the Issuer, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the financial crisis. The termination of contracts and the foreclosure on collateral may subject the Issuer to claims for the improper exercise of its rights under such contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect the Issuer's business, financial condition, results of operations, liquidity and/or prospects.

# Market conditions observed over the past few years may increase the risk of loans being impaired. The Issuer is exposed to declining property values on the collateral supporting residential and commercial real estate lending

The Issuer is exposed to the risk that its borrowers (including sovereigns) may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. The Issuer may continue to see adverse changes in the credit quality of its borrowers and counterparties, for example as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to further impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of the Issuer's provision for loan losses could have a material adverse effect on its financial position and results of operations.

Economic and other factors could lead to further contraction in the residential mortgage and commercial lending market and to further decreases in residential and commercial property prices, which could generate substantial increases in impairment losses.

# Interest rate volatility and other interest rate changes may adversely affect the Issuers' profitability

Changes in prevailing interest rates may negatively affect the Issuer's business, including the level of net interest revenue it earns, and the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase and interest credited to accountholders may change at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may negatively affect the value of the Issuer's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings and capital, as well as the Issuer's regulatory solvency position. A sustained increase in the inflation rate in the Issuer's principal markets may also negatively affect its business, financial condition and results of operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into the Issuer's product pricing assumptions may result in mispricing of its products, which could materially and adversely impact its results of operations. On the other hand, recent concerns regarding negative interest rates and the low level of interest rates generally may negatively impact the Issuer's net interest income, which may have an adverse impact on its profitability.

Declining interest rates or a prolonged period of low interest rates may result in:

- lower earnings over time on investments, as premiums and reinvestments will earn lower rates;
- increased prepayment or redemption of mortgages and fixed maturity securities in the Issuer's investment portfolios, as well as increased prepayments of corporate loans. This as borrowers seek to borrow at lower interest rates potentially combined with lower credit spreads. Consequently, the Issuer may be required to reinvest the proceeds into assets at lower interest rates;
- lower profitability as the result of a decrease in the spread between client rates earned on assets and client rates paid on savings, current account and other liabilities;
- higher costs for certain derivative instruments that may be used to hedge certain of the Issuer's product risks;
- lower profitability, since the Issuer may not be able to fully track the decline in interest rates in its savings rates;
- lower interest rates may cause asset margins to decrease thereby lowering the Issuer's
  results of operations. This may for example be the consequence of increased
  competition for investments as result of the low rates, thereby driving margins down;
- outflow of liabilities for example due to low rates paid on them; and/or
- (depending on the position) a significant collateral posting requirement associated with the Issuer's interest rate hedge programs, which could materially and adversely affect liquidity and its profitability.

All these effects may be amplified in a (prolonged) negative rate environment. In such environment there may also be the risk that a rate is to be paid on assets, while there is no (partial) compensation on the liabilities. This will reduce the Issuer's results of operations.

On the other hand, rapidly increasing interest rates may result in

- a decrease in the demand for loans;
- outflow of liabilies for example due to increased competition;
- a material adverse effect on the value of the Issuer's investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within the Issuer's investment portfolio;
- higher interest rates to be paid on debt securities that the Issuer has issued/guaranteed
  or may issue/guarantee on the financial markets from time to time to finance its
  operations and on savings/other liabilities, which would increase its interest expenses
  and reduce its results of operations;
- in case liability outflow is experienced this may result in realised investment losses, in case investments are to be sold when prices became depressed due to the higher interest rates and/or higher credit spreads. Regardless of whether an investment loss is realised, these outflows would result in a decrease in total invested assets, and may decrease the Issuer's net income;
- higher interest rates can lead to lower investments prices and a reduction in the revaluation reserves, thereby lowering IFRS equity and the capital ratios. Also the lower securities value leads to a loss of liquidity generating capacity which needs to be compensated by attracting new liquidity generating capacity which reduces the Issuer's

results of operations;

- prepayment losses if prepayment rates are lower than expected or if interest rates increase too rapidly to adjust the accompanying hedges;
- decreased fee income associated with balances invested in fixed income funds; and/or
- (depending on the interest rate position of the Issuer) a significant collateral posting requirement associated with the Issuer's interest rate hedge programs, which could materially and adversely affect liquidity and its profitability.

# The Issuer may incur losses due to failures of banks falling under the scope of state compensation schemes

In Belgium and Luxembourg deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. These Compensation Schemes are mainly funded, directly or indirectly, by financial services firms which operate and/or are licenced in the relevant jurisdiction. The Issuer is a participant in the Belgian Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The Belgian Compensation Scheme is an exante scheme where the Issuer pays yearly contributions to ensure the scheme holds a target level of fund regardless of whether any failures occur. ING Luxembourg S.A., the Issuer's Luxembourg subsidiary, is participating to the Luxembourg Deposit Guarantee Scheme which is an ex-post scheme, whereby the participating bank contributes after the failure of a firm. The ultimate costs to the industry of payments which may become due under the Compensation Schemes remains uncertain, although they may be significant and these and the associated costs to the Issuer and its Luxembourg subsidiary, may have a material adverse effect on its financial condition. However, in December 2013, EU Member States and the European Parliament agreed on reforms to the EU Directive on the deposit guarantee schemes, which were adopted by the European Parliament in April 2014 and published in the Official Journal of the EU in June 2014. Main characteristics include an ex-ante funding of up to 0.8% of the banking sector's insured deposits for payouts, to be built up in 10 years, but ultimate contributions will be risk-based.

The costs associated with potential future ex-ante contributions are today unknown and will depend on the methodology used to calculate risk-weighting, but, given the Issuer's size, may be significant. See also "The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing its business may reduce its profitability — Bank Recovery and Resolution Regimes".

### Inflation and deflation may negatively affect the Issuer's business.

A sustained increase in the inflation rate in the Issuer's principal markets would have multiple impacts on the Issuer and may negatively affect its business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates, which may:

- 1. decrease the estimated fair value of certain fixed income securities that the Issuer holds in its investment portfolios resulting in:
  - reduced levels of unrealised capital gains available to it, which could negatively impact its solvency position and net income; and/or
  - a decrease in collateral values:
- 2. require the Issuer, as an issuer of securities, to pay higher interest rates on debt securities that it issues in the financial markets from time to time to finance its operations, which would increase its interest expenses and reduce its results of operations.

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

- 1. result in impairment charges to equity securities that the Issuer holds in its investment portfolios and reduced levels of unrealised capital gains available to it, which would reduce its net income and negatively impact its solvency position;
- 2. negatively impact performance, future sales and surrenders of certain products where underlying investments are often allocated to equity funds;
- negatively impact the ability of the Issuer's asset management subsidiaries to retain and attract assets under management, as well as the value of assets they do manage, which may negatively impact their results of operations; and/or
- 4. lower the value of the Issuer's equity investments impacting its capital position.

On the other hand, deflation experienced in the Issuer's principal markets may also adversely affect its financial performance. In recent years, the risk of low inflation (inflation continued to be positive for the major part of 2014 but well below the 2% growth rate of harmonised indices of consumer prices; in December 2014, however, prices were 0.2% lower than the same month a year earlier) and even deflation (i.e. a continued period with negative rates of inflation) in the Eurozone has materialized. Deflation may erode collateral values and diminish the quality of loans and cause a decrease in borrowing levels, which would negatively affect the Issuer's business and results of operations.

#### Risks related to the Issuer's business, operations and regulatory environment

# The Issuer may be unable to manage its risks successfully through derivatives

The Issuer employs various economic hedging strategies with the objective of mitigating the market risks that are inherent in its business and operations. These risks include currency fluctuations, changes in the fair value of its investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in client behaviour. The Issuer seeks to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts, including, from time to time, macro hedges for parts of its business, either directly or as a counterparty or as a credit support provider to affiliated counterparties.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate the Issuer from risks associated with those fluctuations. The Issuer's hedging strategies also rely on assumptions and projections regarding the Issuer's assets, liabilities, general market factors, and the creditworthiness of the Issuer's counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, the Issuer's hedging activities may not have the desired beneficial impact on its results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase the Issuer's risks and losses. Hedging strategies involve transaction costs and other costs, and if the Issuer terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which the Issuer has incurred or may incur losses on transactions, possibly significant, after taking into account its hedging strategies. Further, the nature and timing of the Issuer's hedging transactions could actually increase its risk and losses. Hedging instruments the Issuer uses to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses, such as credit value adjustment risks or unexpected profit and loss effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties

may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralised. As such, the Issuer's hedging strategies and the derivatives that it uses or may use may not adequately mitigate or offset the risk of interest rate volatility, and the Issuer's hedging transactions may result in losses.

The Issuer's hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by its strategy. Increased regulation, market shocks, worsening market conditions (whether due to the on-going Euro crisis or otherwise) and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of the Issuer may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with the Issuer and/or other parties, affecting the Issuer's overall ability to hedge its risks and adversely affecting its business, operations, financial condition and liquidity.

#### The Issuer may be unable to retain key personnel

As a financial services enterprise with a decentralised management structure, the Issuer relies to a considerable extent on the quality of local management in the countries in which the Issuer operates. The success of the Issuer's operations is dependent, among other things, its ability to attract and retain highly qualified professional personnel. Competition for key personnel in countries in which the Issuer operates is intense. The Issuer's ability to attract and retain key personnel, in particular senior officers, experienced portfolio managers, mutual fund managers and sales executives, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

As a part of their responses to the financial crisis of 2008, the European Commission and national governments throughout Europe have introduced and are expected to continue introducing various legislative initiatives that aim to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management, and that those policies and practices impose restrictions on the remuneration of personnel, with a focus on risk alignment of performance-related remuneration. Such initiatives include, among others, measures set out in (i) the so-called Capital Requirements Directive III and the CRD IV Directive, and (ii) the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority, to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management, and that impose restrictions on the remuneration of personnel, in particular senior management, with a focus on risk alignment of performance-related remuneration. Also the Credit Institutions Supervision Law introduced provisions on remuneration (including a limitation of the variable remuneration to the highest of 50% of the fixed income or EUR 50,000 without exceeding the fixed income). The provisions on remuneration included in the Credit Institutions Supervision Law are more stringent than the EU rules on variable remuneration included in the CRD IV Directive.

Since the financial crisis, ING has adapted its remuneration policies to the new national and international standards. The (increasing) restrictions on remuneration will continue to have an impact on the Issuer's existing remuneration policies and individual remuneration packages for personnel. This may restrict the Issuer's ability to offer competitive compensation compared with companies (financial and/or not financial) that are not subject to such restrictions and it could adversely affect the Issuer's ability to retain or attract qualified employees.

These restrictions, alone or in combination with the other factors described above, could adversely affect the Issuer's ability to retain or attract qualified employees.

The Issuer may not be able to protect its intellectual property and may be subject to infringement claims by third parties, which may have a material adverse effect on the Issuer's business and results of operations.

In the conduct of its business, the Issuer relies on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and trade secret laws to establish and protect its intellectual property. Although it endeavours to protect its rights, third parties may infringe or misappropriate its intellectual property. The Issuer may have to litigate to enforce and protect its copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their

scope, validity or enforceability. In that event, the Issuer may be required to incur significant costs and its efforts may not prove successful. The inability to secure or protect the Issuer's intellectual property assets could have a material adverse effect on its business and its ability to compete. The Issuer may also be subject to claims made by third parties for (1) patent, trade mark or copyright infringement, (2) breach of copyright, trade mark or license usage rights, or (3) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If the Issuer was found to have infringed or misappropriated a third-party patent or other intellectual property right, it could in some circumstances be enjoined from providing certain products or services to its customers or from utilising and benefiting from certain methods, processes, copyrights, trade marks, trade secrets or licenses. Alternatively, it could be required to enter into costly licensing arrangements with third parties or implement a costly workaround. Any of these scenarios could have a material adverse effect on the Issuer's business and results of operations.

# Because the Issuer uses assumptions to model client behaviour for the purpose of its market risk calculations, the difference between the realisation and the assumptions may have an adverse impact on the risk figures and future results

The Issuer uses assumptions in order to model client behaviour for the risk calculations in its banking book. Assumptions are used to determine the interest rate risk profile of savings and current accounts and to estimate the embedded option risk in the mortgage and investment portfolios. The realisation or use of different assumptions to determine client behaviour could have a material adverse effect on the calculated risk figures and ultimately future results.

# The Issuer may incur further liabilities in respect of its defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results and underlying actuarial assumptions and models

The Issuer and various of its group companies operate various defined benefit retirement plans covering a number of their employees. The liability recognised in the Issuer's consolidated balance sheet in respect of the Issuer's defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. The Issuer determines its defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions, including on discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in healthcare costs, consumer price index, and the expected return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on the Issuer's present and future liabilities to and costs associated with its defined benefit retirement plans.

# The Issuer's risk management policies and guidelines may prove inadequate for the risks it faces

The Issuer has developed risk management policies and procedures and will continue to review and develop these in the future. Nonetheless, its policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods the Issuer uses to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than suggested by historical experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophic occurrence or other information that is publicly known or otherwise available to the Issuer. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

# The Issuer is subject to a variety of regulatory risks as a result of its operations in certain countries

In certain countries in which the Issuer operates, judiciary and dispute resolution systems may be less developed. As a result, in case of a breach of contract, the Issuer may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against the Issuer, it might encounter difficulties in mounting a defence against such allegations. If the Issuer becomes party to legal proceedings in a market with an insufficiently developed judicial system, it could have an adverse effect on its operations and net results.

In addition, as a result of the Issuer's operations in certain countries, it is subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities, in these markets. In addition, the current economic environment in certain countries in which the Issuer operates may increase the likelihood for regulatory initiatives to enhance consumer protection or to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on the Issuer's ability to protect its economic interest, for instance in the event of defaults on residential mortgages.

# The Issuer is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received

The Issuer's products and advice services for third-party products are exposed to claims from customers who allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, the Issuer engages in a product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against the Issuer if the products do not meet expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations.

Products distributed through person-to-person sales forces have a higher exposure to such claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historical sales practices and products that were sold in the past, and in the maintenance of effective risk management and legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, and any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on the Issuer's business, reputation, revenues, results of operations, financial condition and prospects.

# Ratings are important to the Issuer's business for a number of reasons. A downgrade or a potential downgrade in the Issuer's financial strength or its credit ratings could have an adverse impact on the Issuer's operations and net result

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. The Issuer's credit ratings are important to its ability to raise capital and funding through the issuance of debt and to the cost of such financing. In the event of a downgrade, the cost of issuing debt will increase, having an adverse effect on the Issuer's net result. Certain institutional investors may also be obliged to withdraw their deposits from the Issuer following a downgrade, which could have an adverse effect on its liquidity. The Issuer has credit ratings from Standard & Poor's Credit Market Services Europe Limited, Moody's Investor Service Ltd. and Fitch France S.A.S. Each

of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time.

Furthermore, the Issuer's assets are risk-weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on the Issuer's competitive position.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of the Issuer would have additional adverse ratings consequences, which could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity. The Issuer may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause its business and operations to suffer. The Issuer cannot predict what additional actions rating agencies may take, or what actions it may take in response to the actions of rating agencies.

# Operational risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices or inadequate controls may adversely impact The Issuer's business, results of operations and reputation

Operational risks are inherent in the Issuer's businesses. The Issuer's businesses depend on the ability to process a large number of transactions efficiently and accurately. Although the Issuer endeavours to safeguard its systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including failure to anticipate or prevent cyber attacks, which are deliberate attempts to gain unauthorised access to digital systems for the purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaches by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human error, employee misconduct including fraud, or external events that interrupt normal business operations. The Issuer depends on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The equipment and software used in the Issuer's computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite the Issuer's business continuity plans and procedures, certain of the Issuer's computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, whilst the Issuer has policies and processes to protect its systems and networks, they may be vulnerable to unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches that could have a security impact and jeopardize the Issuer's confidential information or that of its clients or its counterparties. These events can potentially result in financial loss and harm to the Issuer's reputation, and hinder its operational effectiveness. The Issuer also faces the risk that the design and operating effectiveness of its controls and procedures may prove to be inadequate. Widespread outbreaks of communicable diseases, such as the outbreak of the Ebola virus, may impact the health of the Issuer's employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to its employees, either or both of which could adversely impact its business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and the Issuer's operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If the Issuer's business continuity plans are not able to be implemented or do not sufficiently take such events into account, losses may increase further. The Issuer has suffered losses from operational risk in the past and there can be no assurance that it will not suffer material losses from operational risk in the future.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and/or prospects.

The Issuer is subject to litigation, arbitration and other claims and allegations in the ordinary course of business, including in connection with its activities as financial services provider, employer, investor and taxpayer. Adverse publicity and damage to the Issuer's reputation arising from its failure or

perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several rate-setting processes, notifications made by whistle-blowers, increasing regulatory and law enforcement scrutiny of "know your customer" antimoney laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund and banking industries, and litigation that arises from the failure or perceived failure by the Issuer to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect the Issuer's ability to attract and retain customers and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties or other disciplinary action, or have other material adverse effects on the Issuer in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class and plaintiffs may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. See also "The Issuer is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received' above. The Issuer's reserves for litigation liabilities may prove to be inadequate.

Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on the Issuer's reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time-consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information with respect to specific proceedings, see "General Information — Litigation".

### Risks related to the restructuring plan

The implementation of the Restructuring Plan and the divestments anticipated in connection with the Restructuring Plan have altered and will significantly alter the size and structure of ING and involve significant costs and uncertainties that could materially impact ING Bank and the Issuer

ING was required to submit a restructuring plan to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules (as amended, the **Restructuring Plan**). While the Illiquid Asset Back-Up Facility (entered into by ING in 2009, the **IABF**) was terminated in December 2013, and on 7 November 2014, ING made the final repayment on the Core Tier 1 securities (purchased in November 2008, the **Core Tier 1 Securities**), the continuing restrictions imposed by the Restructuring Plan could adversely affect ING's ability to maintain or grow market share in key markets as well as the Issuer's results of operations. See "*Risks related to the Restructuring Plan – The limitations required by the EC on ING's ability to compete and to make acquisitions could materially impact ING Bank*" below.

There can be no assurance that ING will be able to complete the remaining elements of the Restructuring Plan successfully or complete the remaining planned divestments on favourable terms or at all, particularly in light of market developments in general as well as the fact that other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Not completing the remaining elements of the Restructuring Plan may result in EC enforcement actions or EC procedures and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of ING. Moreover, in connection with the completion of the remaining elements of the Restructuring Plan, including any proposed divestments, ING or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and ING and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the remaining elements of the Restructuring Plan may strain relations with ING's employees, and specific proposals in connection with the implementation may be opposed by trade unions or works councils.

Factors that may impede ING's ability to successfully implement the remaining elements of the Restructuring Plan include an inability of prospective purchasers to obtain funding due to weak credit markets, insufficient access to equity capital markets, a general unwillingness of prospective purchasers to commit capital in the current market environment, antitrust concerns, any adverse changes in market interest rates or other borrowing costs and any declines in the value of the assets to be further divested. Similarly, it may also be difficult to continue to divest the remaining part of ING's insurance and investment management business through one or more follow-on transaction(s) and/or spin-off transaction(s). There can also be no assurance that ING could obtain favourable pricing for a sale of the remaining part of its insurance and investment management business in the public markets. A further divestment may also release less regulatory capital than ING would otherwise expect.

Any failure to complete the divestments on favourable terms could have a material adverse impact on ING's assets, profitability, capital adequacy and business operations. If ING is unable to complete the announced divestments in a timely manner, it would be required to find alternative ways to reduce its leverage, and it could be subject to enforcement actions or proceedings by the EC.

# Following the implementation of the Restructuring Plan, ING will be less diversified and ING Bank and the Issuer may experience competitive and other disadvantages

As a result of divestments effected to date and following completion of the planned divestments under the Restructuring Plan, ING expects to become a significantly smaller, regional financial institution focused on retail, direct and commercial banking in the Benelux region and certain other parts of Europe, as well as selected markets outside Europe. Although ING will remain focused on banking operations, ING Bank may become a smaller bank than that represented by its current operations. In the highly competitive Benelux market in which the Issuer operates, its competitors may be larger, more diversified and better capitalised and have greater geographical reach than the Issuer, which could have a material adverse effect on ING Bank and the Issuer's ability to compete, as well as on its profitability. The divested businesses may also compete with the retained businesses on their own or as part of the purchasers' enlarged businesses. In addition, the restrictions on ING Bank's and the Issuer's ability to be a price leader and make certain acquisitions could further hinder their respective capacity to compete with competitors not burdened with such restrictions, which could have a material adverse effect on ING Bank's and the Issuer's results of operations. There can be no assurance that the implementation of the Restructuring Plan will not have a material adverse effect on the market share, business and growth opportunities and results of operations of the Issuer's core banking businesses.

#### ING's Restructuring Plan may not yield intended reductions in costs, risk and leverage

Projected cost savings and impact on ING's risk profile and capital associated with the Restructuring Plan are subject to a variety of risks, including:

- actual costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under "Risks related to the Restructuring Plan – The implementation of the Restructuring Plan and the divestments in connection with the Restructuring Plan will alter and have already significantly altered the size and structure of ING and involve significant costs and uncertainties that could materially impact ING Bank and the Issuer";
- initiatives that ING is contemplating may require consultation with various regulators as well as employees and labour representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

While ING continues to implement these strategies, there can be no assurance that it will be able to do so successfully or that it will realise the projected benefits of these and other restructuring and cost-saving initiatives. If ING is unable to realise these anticipated cost reductions, its business may be adversely affected. Moreover, ING's continued implementation of restructuring and cost-saving initiatives may have a material adverse effect on its business, financial condition, results of operations and cash flows.

#### PART 3 – RISKS RELATING TO THE MORTGAGE PANDBRIEVEN

#### Risks related to Mortgage Pandbrieven in general

The risk factors below include a summary description of certain risks relating to the Mortgage Pandbrieven in general:

### **Belgian Covered Bond Regulations**

The Mortgage Pandbrieven as described in this Base Prospectus will be issued on the basis of and in accordance with the provisions of the statutory framework constituted by the Belgian Covered Bond Regulations. To date the provisions of the Belgian Covered Bond Regulations have not yet been the object of interpretation by case law. Furthermore, only a limited number of issuances of similar securities as the Mortgage Pandbrieven have been based on the Belgian Covered Bond Regulations. The application and implementation of certain provisions of the Belgian Covered Bond Regulations may therefore remain open to further interpretation discussions and the possibility that amendments or changes, affecting the Mortgage Pandbrieven may be needed cannot be excluded.

Potential Pandbrieven Holders may be unfamiliar with certain aspects of the Belgian Covered Bond Regulations (and, in a more general sense, Belgian law) as referred to in this Base Prospectus. Potential Pandbrieven Holders should pay particular attention to sections of the Base Prospectus containing such references. For further information on the Belgian Covered Bond Regulations, see "Summary of the Belgian Covered Bond Regulations" below.

# **Change of Law**

The Mortgage Pandbrieven are based on Belgian law, tax rules, regulations, guidelines and administrative practice in effect as at the date of the relevant Mortgage Pandbrieven. No assurance can be given that there will be no change to such law, tax rules, regulations, guidelines and administrative practice after the date of issuance of the relevant Mortgage Pandbrieven which might have an adverse impact on the Mortgage Pandbrieven. Such changes may occur at any time (including during any subscription period or the term of the Mortgage Pandbrieven), resulting in an adverse effect on a Pandbrieven Holder, including that the Mortgage Pandbrieven may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable to or receivable by an affected Pandbrieven Holder may be less than otherwise expected by such Pandbrieven Holder.

# Liabilities under the Mortgage Pandbrieven

The Mortgage Pandbrieven will be solely obligations of the Issuer. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Mortgage Pandbrieven and such obligations will not be the obligations of its respective officers, members, directors, employees, security holders or incorporators.

The Mortgage Pandbrieven will not be obligations or responsibilities of, or guaranteed by, any other entity or person than the Issuer, in whatever capacity acting, including (without limitation) the Mortgage Pandbrieven Holders' Representative, the Cover Pool Monitor, the Cover Pool Administrator, the Supervisor, the Agents, the Hedging Counterparties, the Arranger, or the Dealers or any of their officers, members, directors, employees, security holders or incorporators. None of the Arranger, the Dealers, the Hedging Counterparties, the Mortgage Pandbrieven Holders' Representative, the Cover Pool Monitor, the Agents, the Cover Pool Administrator, the Supervisor, any company in the same group of companies as such entities or any other party to the Programme Documents will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Mortgage Pandbrieven.

## **CRA** Regulation

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

# Modifications and waivers under the Mortgage Pandbrieven and the Programme Documents without Pandbrieven Holders' consent

Pursuant to the Conditions and the terms of the Mortgage Pandbrieven Holder Representative Agreement, the Mortgage Pandbrieven Holders' Representative may, without the consent or sanction of any of the Pandbrieven Holders or any of the Other Cover Pool Creditors, agree to modifications and waivers under the Mortgage Pandbrieven and the Programme Documents consent if:

- (i) the Mortgage Pandbrieven Holders' Representative is of the opinion that the proposed amendment or waiver will not be materially prejudicial to the interests of any of the Pandbrieven Holders of any Series; or
- (ii) if such proposed amendment or waiver is of a formal, minor or technical nature; or
- (iii) the modification in the opinion of the Mortgage Pandbrieven Holders' Representative is to correct a manifest error or to comply with mandatory provisions of law; or
- (iv) such modification or amendment would cause such Programme Document to better reflect or comply with the provisions and requirements of the Belgian Covered Bond Regulations.

Furthermore, the Conditions contain provisions for calling meetings of Pandbrieven Holders to consider matters affecting their interests generally, including modifications to the Conditions and the Programme Documents. These provisions permit defined majorities to bind all Pandbrieven Holders including Pandbrieven Holders who did not attend and vote at the relevant meeting and Pandbrieven Holders who voted in a manner contrary to the majority.

# Capital requirements and/or liquidity associated with a holding of the Mortgage Pandbrieven for certain investors

The Basel III standards issued on 1 June 2011 envisage a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards and to establish minimum liquidity standards and a leverage ratio "backstop" for financial institutions. In particular, the changes include, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). Member countries are required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The Basel Committee introduced additional capital requirements for global systemically important banks. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Mortgage Pandbrieven and/or on incentives to hold the Mortgage Pandbrieven for investors that are subject to requirements that follow the revised framework and, as a result, they may

affect the liquidity and/or value of the Mortgage Pandbrieven. See also *Risk Factors – Part 2. Basel III* above.

The European authorities support the work of the Basel Committee on the approved changes in general and implemented Basel III through CRD IV (as described above). In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Mortgage Pandbrieven and as to the consequences for and effect on them of the Basel III framework as implemented in the EU by CRD IV and other relevant implementing measures (including various technical standards). No predictions can be made as to the precise effects of such matters on any investor or otherwise.

#### **Early redemption**

The Conditions provide for an early redemption of the Mortgage Pandbrieven in the case of an illegality or tax gross-up. Investors willing to reinvest the funds received in such case may face reinvestment risk in in light of the available investment opportunities at such time. Investors may only be able to reinvest in securities with a lower yield than the redeemed Mortgage Pandbrieven.

Moreover, following the opening of winding-up proceedings against the Issuer, the Cover Pool Administrator may in certain circumstances proceed with the liquidation of the Special Estate and early redemption of the Mortgage Pandbrieven (see section "Realisation of the Special Estate and Sale of Cover Assets" below). There is a risk that, in such circumstances, the proceeds from the liquidation of the Special Estate will not be sufficient to cover the Early Redemption Amount due under the Mortgage Pandbrieven and that Pandbrieven Holders or the Mortgage Pandbrieven Holders' Representative on their behalf will have to introduce a contingent unsecured claim against the Issuer's general bankruptcy estate in order to preserve their recourse against the General Estate. Such claim would rank pari passu with all other present and future outstanding unsecured obligations of the Issuer, save for such obligations as may be preferred by law that are both mandatory and of general application (which includes the depositholders which, in accordance with art. 389 of the Credit Institutions Supervision Law, have a lien on all movable assets in the General Estate).

Mortgage Pandbrieven issued under the Programme will either be fungible with an existing Series of Mortgage Pandbrieven or have different terms to any existing Series of Mortgage Pandbrieven (in which case they will constitute a new Series). All Mortgage Pandbrieven will rank *pari passu* and *pro rata* without any preference or priority among themselves, irrespective of their Series.

Following the occurrence of an Event of Default and service by the Mortgage Pandbrieven Holders' Representative of a Notice of Default, the Mortgage Pandbrieven of all outstanding Series will become immediately due and payable against the Issuer.

# Certain decisions of Pandbrieven Holders need to be taken at Programme level

A resolution to direct the Mortgage Pandbrieven Holders' Representative to start any enforcement action must be taken by way of an Extraordinary Resolution passed at a single meeting of the holders of all Mortgage Pandbrieven of all Series then outstanding.

#### Holdings by the Issuer and affiliates

In accordance with Article 12, §1 of Annex III to the Credit Institutions Supervision Law, the Issuer is explicitly allowed to subscribe or acquire its own Mortgage Pandbrieven. Furthermore, there are no restrictions included in the Conditions for affiliates of the Issuer to subscribe or acquire Mortgage Pandbrieven which may therefor hold a position in the Mortgage Pandbrieven. Based on Condition 14.1.3, only the Issuer shall not have any voting rights with respect to the Mortgage Pandbrieven it holds.

### ECB's third covered bond purchase programme

On 20 October 2014 the Eurosystem started to buy covered bonds under a third covered bond purchase programme (implemented by a decision of the ECB of 15 October 2014 (ECB/2014/40)). This programme has a sizeable impact on the ECB's balance sheet. The purpose of this purchase

programme is to enhance the functioning of the monetary policy transmission mechanism, support financing conditions in the euro area, facilitate credit provision to the real economy and generate positive spillovers to other markets. Additional requirements apply.

ECB's purchase programme may have a negative impact on the liquidity of Mortgage Pandbrieven and may make it more difficult for investors to sell their Mortgage Pandbrieven in the secondary market. ECB's purchase programme pushes down yields on these bonds and this may encourage investors to shift into riskier bonds.

### Risks related to specific types of Mortgage Pandbrieven

The Programme allows for the issuance of different types of Mortgage Pandbrieven with a wide variety of distinctive features. Certain features may create particular risk for potential investors. The risk factors below contain a description of the most common of such features:

## Mortgage Pandbrieven with an Extended Maturity Date

The Final Terms applicable to a Series of Mortgage Pandbrieven may provide that the obligations of the Issuer to pay the Principal Amount Outstanding due on the relevant Maturity Date (the Final Redemption Amount) may be deferred until a later date (such date the Extended Maturity Date). To the extent an Extended Maturity Date is applicable in respect of a Series of Mortgage Pandbrieven, the Pandbrieven Holders are subject to an extension risk. The extension of the Maturity Date will occur automatically if the Issuer has failed to pay any amount of the Final Redemption Amount within fourteen Business Days after the applicable Final Maturity Date of such Series (as specified in the applicable Final Terms). Notwithstanding such extension, the Issuer shall be entitled to pay any amount of Final Redemption Amount remaining unpaid on the relevant Maturity Date, on any Interest Payment Date thereafter up to (and including) the Extended Maturity Date. The payment of the Final Redemption Amount shall become due and payable on the Extended Final Maturity Date of the relevant Series, as specified in the applicable Final Terms.

In the event the maturity of the Final Redemption Amount is extended from the applicable Maturity Date until the Extended Maturity Date, the Pandbrieven Holders shall not be entitled to accelerate the Mortgage Pandbrieven or to take any action against the Issuer and the Special Estate. The amount unpaid under the Mortgage Pandbrieven will continue to accrue interest up to the Extended Maturity Date in accordance with the Conditions and the Issuer will make payments of accrued interest on each relevant Interest Payment Date up to (and including) the Extended Maturity Date, until the Final Redemption Amount is paid in full. Unless otherwise set out in the applicable Final Terms of the relevant Series, no other amount is payable as a result of the extension of the Maturity Date being triggered.

It should be noted that an extension of the maturity of a particular Series of Mortgage Pandbrieven will not automatically result in an extension of the maturity date of any other Series. However, any other Series of Mortgage Pandbrieven, the Maturity Date of which falls due for payment within the same calendar month as an Interest Payment Date for a Series of Mortgage Pandbrieven to which an Extended Maturity Date applies, will only be redeemed if and to the extent that the Issuer is able to redeem in full (in such calendar month) the Series to which the Extended Maturity Date applies. If it is unable to do so, or is unable to redeem in full the Series to which an Extended Maturity Date did not apply, then such Series will also (to the extent not redeemed in full within fourteen Business Days of the relevant Maturity Date) become subject to extension of its Maturity Date.

## **Fixed Rate Mortgage Pandbrieven**

Investors in Fixed Rate Mortgage Pandbrieven are exposed to a decrease in value of their investment that could result in case of subsequent increases of market interest rates. If the Final Terms of the Mortgage Pandbrieven provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline, because investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

### Floating Rate Mortgage Pandbrieven

A key difference between Floating Rate Mortgage Pandbrieven and Fixed Rate Mortgage Pandbrieven is that interest income on Floating Rate Mortgage Pandbrieven cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Mortgage Pandbrieven at the time they purchase them, so that their return on investment cannot be compared with that of investments having fixed interest periods. If the Final Terms of the Mortgage Pandbrieven provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline, because investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

#### Zero Coupon Mortgage Pandbrieven

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

#### Mortgage Pandbrieven where Maximum Rate of Interest applies

Mortgage Pandbrieven where a Maximum Rate of Interest applies, have an interest rate that is subject to a maximum specified rate. The maximum amount of interest payable in respect of these Mortgage Pandbrieven will occur when the sum of the relevant reference rate and the specified margin (if any) equals the maximum specified rate. Investors in such Mortgage Pandbrieven will therefore not benefit from any increase in the relevant reference rate which, when the specified margin is added to such reference rate, would otherwise cause such interest rate to exceed the maximum specified rate. The market value of these Mortgage Pandbrieven would therefore typically fall the closer the sum of the relevant reference rate and the margin is to the maximum specified rate.

#### Mortgage Pandbrieven issued at a substantial discount or premium

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

### Mortgage Pandbrieven not contemplated by the Base Prospectus

The Issuer may from time to time issue Mortgage Pandbrieven under the Programme in any form agreed between the Issuer and the relevant Dealer or investor. The issuance of these Mortgage Pandbrieven is subject to compliance with the Special Estate Administration Agreement, which contains certain terms to which all Mortgage Pandbrieven issued under the Programme will be subject. These Mortgage Pandbrieven will furthermore be subject to terms and conditions and final terms which may be agreed with the Issuer at the time of their issuance. The issuance of these Mortgage Pandbrieven is also subject to the Belgian Covered Bond Regulations (see also "Summary of the Belgian Covered Bond Legislation" below). The Pandbrieven Holders should note that all Mortgage Pandbrieven will rank pari passu among themselves and that, as a result, the proceeds of the Special Estate will be applied to the satisfaction of amounts due and payable to all Pandbrieven Holders on a pro rata basis.

#### Mortgage Pandbrieven in dematerialised form

The Mortgage Pandbrieven may be issued in the form of dematerialised securities under the Belgian Company Code and will be represented exclusively by book entries in the records of the Securities Settlement System.

Access to the Securities Settlement System is available through participants in the Securities Settlement System whose membership extends to securities such as the Mortgage Pandbrieven (the **Participants**). Participants include certain Belgian banks, stock brokers (beursvennootschappen/sociétés de bourse), Clearstream, Luxembourg and Euroclear.

Transfers of interests in the Mortgage Pandbrieven will be effected between the 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 Participants through which they hold their Mortgage Pandbrieven.

The Issuer and the Fiscal Agent will not have any responsibility for the proper performance by the Securities Settlement System or its Participants of their obligations under their respective rules and operating procedures.

## Credit ratings of the Mortgage Pandbrieven

If applicable, the expected credit ratings of the Mortgage Pandbrieven are set out in the applicable Final Terms for each Series of Mortgage Pandbrieven. In addition to issuing Mortgage Pandbrieven that are rated, the Issuer may also issue Mortgage Pandbrieven which are unrated. Credit rating agencies may also assign (additional) credit rating to the Mortgage Pandbrieven on an unsolicited basis.

The credit ratings that may be assigned to the Mortgage Pandbrieven (where applicable) address:

- the likelihood of full and timely payment to Pandbrieven Holders of all payments of interest on each Interest Payment Date;
- the likelihood of ultimate payment of principal in relation to Mortgage Pandbrieven on (a) the Maturity Date thereof, or (b) if the Mortgage Pandbrieven are subject to an Extended Maturity Date in accordance with the applicable Final Terms, the Extended Maturity Date thereof; and
- (in relation to Fitch) their probability of default but also incorporate an element of recovery should default occur. Credit ratings assigned by Fitch exclude event risk, such as a change in legislation governing a jurisdiction's covered bond framework, or the merger of an issuer with another entity.

There is no guarantee that ratings will be assigned or maintained.

If any credit rating assigned to the Mortgage Pandbrieven is lowered or withdrawn, the market value of the Mortgage Pandbrieven may reduce. The credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Mortgage Pandbrieven. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

In general, European regulated investors are restricted under the CRA Regulation (as defined on the cover page of this Base Prospectus) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

#### Inflation Risk

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on a Mortgage Pandbrief. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

### **Currency Exchange Rate Risk**

The Issuer will pay interest and principal on the Mortgage Pandbrieven in the Specified Currency. This presents certain risks relating to currency conversion if the Pandbrieven Holder's financial activities are denominated principally in a currency or currency unit (Investor's Currency) other than the Specified Currency. These include the risk exchange rate may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency's equivalent yield on the Mortgage Pandbrieven, (2) the Investor's Currency equivalent value, and (3) the Investor's Currency equivalent market value of the Mortgage Pandbrieven.

Governement and monetary authorities may impose (as some have done in the past) exchange controls that would adversely affect an applicable exchange rate and/or restrict currency within or outside of a particular jurisdiction which in turn would adversely affect the ability by the Issuer to make payment in respect of the Mortgage Pandbrieven. As a result, investors may receive less interest and principal than expected, or receive it later than expected.

#### PART 4 - RISKS RELATING TO THE MORTGAGE PANDBRIEVEN AND THE SPECIAL ESTATE

The risk factors below include a summary description of certain risks relating to the Mortgage Pandbrieven, more specifically in relation to the Special Estate.

#### Credit risk

An investor in Mortgage Pandbrieven is exposed to the credit risk of the Issuer. In the event the Issuer fails to make any payments of principal or interest, in part or in full, the Pandbrieven Holder will have no recourse against any other person.

This credit risk is to some extent mitigated by the creation of the Special Estate, a segregated pool of assets that exclusively cover the obligation of the Issuer under and in relation to Mortgage Pandbrieven (*bijzonder vermogen/patrimoine spécial*) (the **Special Estate**). The Pandbrieven Holders and the Other Cover Pool Creditors will have not only have recourse to the General Estate of the Issuer as any other creditor, but also an exclusive recourse against the Special Estate (see section *Summary of the Belgian Covered Bond Regulations – 3. Special Estate* below).

The main asset category of the Special Estate will consist of Residential Mortgage Loans, their Related Security and all monies derived therefrom from time to time in accordance with the Belgian Covered Bond Regulations. In accordance with Article 3, §1, 1° of the Covered Bonds Royal Decree, the value of such Residential Mortgage Loans that are part of the Special Estate must represent at least 85 per cent. of the aggregate Principal Amount Outstanding of all Mortgage Pandbrieven of all Series then outstanding. The Mortgage Pandbrieven are therefore, amongst others, exposed to the credit risk of the Residential Mortgage Loans that are part of the Special Estate.

#### Liquidity risk

The maturity and amortisation profile of the Cover Assets may not match the repayment profile and maturities of the Mortgage Pandbrieven.

In order to comply with the Covered Bond Regulations the Programme needs to incorporate solutions addressing this liquidity risk. The Liquidity Test set out in Article 7, §1 of the Covered Bonds Royal Decree in particular requires that the Cover Assets of the Special Estate generate sufficient liquidity or contain enough liquid assets in order to allow the Issuer to make all unconditional payments under or in relation to the Mortgage Pandbrieven falling due in the following six (6) month period (including payments of principal, interest and other costs under the Mortgage Pandbrieven). If an Extended Maturity Date is specified in the applicable Final Terms for a Series of Mortgage Pandbrieven, any payments which shall be subject to an extension in accordance with the Conditions shall, however, not be considered as unconditional for the purpose of the Liquidity Test.

Under the Programme, the Issuer may address liquidity risk and ensure compliance with the Liquidity test by entering into a liquidity facility (provided the counterparty is a credit institution outside the group that satisfies certain credit quality requirements) or by holding Cover Assets with a short-term amortisation profile or liquid assets such as cash. The Conditions include an Undertaking of the Issuer with regard to Liquidity of the Special Estate (See Condition 2.6(c)). Under the Conditions, the Issuer furthermore has the option to retain all or part of the Mortgage Pandbrieven for liquidity purposes.

# Statutory Tests applicable to Special Estate

The Statutory Tests applicable to the Special Estate are intended to ensure that the Issuer maintains an adequate amount of Cover Assets in the Special Estate to enable the Issuer to meet its obligations under the Mortgage Pandbrieven. Failure to satisfy the Statutory Tests may have an adverse effect on the ability of the Issuer to meet its payment obligations in respect of the Mortgage Pandbrieven. If the Issuer is (and, as applicable, following a grace period, remains) unable to meet the requirements of the Statutory Tests, the Supervisor can revoke the Issuer's license to issue Belgian covered bonds. Furthermore, at any time the Liquidity Test is not complied with, the Issuer shall not be able to issue further Mortgage Pandbrieven.

## Characteristics of the Cover Assets in the Special Estate are subject to change

There is no assurance that (i) the characteristics allocated to the Cover Assets to the Special Estate on the Issue Date of a Series of Mortgage Pandbrieven will remain the same on any date thereafter nor (ii) that the Issuer, the Cover Pool Monitor or the Supervisor will at all times be able to fully and continuously monitor such changes. It is expected that the composition of the Special Estate will change frequently as a result of additions, removals and/or substitutions of Cover Assets. Cover Assets will however need to satisfy the requirements of Covered Bond Regulations.

Pandbrieven Holders will not receive detailed information or statistics on the Cover Assets in the Special Estate other than the information included in the Investor Report. The Cover Pool Monitor shall at least once a month verify whether the Statutory Tests and the requirements in relation to the Cover Register are met. The Cover Pool Monitor shall immediately inform the NBB as Supervisor if it establishes that the Issuer no longer satisfies the requirements. At the end of each accounting year of the Issuer, the Cover Pool Monitor shall furthermore deliver a report to the NBB as Supervisor including the result of its monitoring duties and confirming whether the Mortgage Pandbrieven in all material respects comply with the requirement of the Covered Bond Regulations in terms of (i) the qualitative requirements and valuation of the Cover Assets, (ii) compliance with the Statutory Tests, and (iii) the correct registration of Cover Assets in the Cover Register.

### Factors that may impact the realisable value of the Cover Assets and the Special Estate

The Pandbrieven Holders together with the Other Cover Pool Creditors will have an exclusive recourse against the Special Estate. The value of the Special Estate may vary over time, as the economic value of the Cover Assets may increase or decrease. The Issuer makes no representation, warranty or guarantee that the value of the Cover Assets will remain at the same level as it was on the date of the origination of the related Residential Mortgage Loan or at any other time. Although the Statutory Tests (and the Issuer's obligations to remedy breaches of the Statutory Tests) are intended to ensure that the value of the Special Estate as determined in accordance with the Belgian Covered Bond Regulations is greater than the Principal Amount Outstanding of the Mortgage Pandbrieven covered by the Special Estate, no assurance can be given that the Issuer will at all times (be able to) do so at the time of realisation and that the Cover Assets could be realised for sufficient value to enable the Issuer to meet its obligations under the Mortgage Pandbrieven.

Below is a description of certain factors that may adversely impact the realisable value of Residential Mortgage Loans registered as Cover Assets and their Related Security comprising part of the Special Estate

### Payments on Residential Mortgage Loans are subject to credit, liquidity and interest rate risks

Payments on the Residential Mortgage Loans are subject to credit, liquidity and interest rate risks. This may be due to general economic factors such as market interest rates, inflation, changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws and regulatory changes and developments. Also individual factors related to the Borrower (such as loss of earnings, illness, divorce and other similar factors) and its financial standing may lead to an increase in filings for a collective debt arrangement or bankruptcy proceedings by Borrowers and delinquencies. Each of these factors may have an adverse impact on the ability of Borrowers to repay their Residential Mortgage Loan and could reduce the value of the Residential Mortgage Loans (and potential losses) in case the Special Estate would need to be liquidated. The ultimate effect of this could be to delay or reduce the payments on the Mortgage Pandbrieven.

# Risks of losses associated with declining real estate values and geographical concentration of the Residential Mortgage Loans

The value of the Residential Mortgage Loans included as Cover Assets in the Special Estate may be affected by, among other things, a decline in property values of the real estate securing such Residential Mortgage Loans. Certain geographic regions may thereby be subject to weaker regional conditions and housing markets than others. Although borrowers are located throughout Belgium, the Borrowers may be concentrated in certain locations. No assurance can be given that property values will remain at the level at which they were on the date of origination of the relevant Residential

#### Mortgage Loans.

Although the Belgian real estate market has proven to be resilient to the economic shocks of the last years and has been continuously seen by many as a safe-haven investment opportunity, the risks for the future are on the downside, especially for the 2014-2017 period which, ING Economic Department believes, will bring an unfavourable mix of investor discouragement, higher mortgage interest rates and a less favourable fiscal environment (see below). In this context, we do not believe that the historical price development will be repeated any time soon and that a correction of 12%-18% is not impossible after the summer of 2014.

A decline in such property values may result in losses under the Residential Mortgage Loans if the mortgages securing such loans are required to be enforced. A concentration of Borrowers in weaker performing regions areas may furthermore result in a greater risk of loss than would be the case if such concentration had not been present.

#### Changes to the origination criteria of the Issuer

The Residential Mortgage Loans are originated in accordance with the Issuer's origination criteria at the time of origination. Such origination criteria will generally consider, *inter alia*, type of property, term of loan, age of applicant, the loan-to-value ratio, status of applicant and credit history. The Issuer retains the right to revise its origination criteria from time to time but it would only do so if such a change would be required in accordance with applicable laws and regulations or acceptable to a reasonable, prudent mortgage lender. If the origination criteria change in a manner that results in the Issuer applying more flexible acceptance criteria for Residential Mortgage Loans, this may lead to increased delinquencies and defaults under the Residential Mortgage Loans and may affect the realisable value of the Special Estate, or part thereof. This may in turn impact on the ability of the Issuer to make payments under the Mortgage Pandbrieven.

#### Realisation of the Special Estate and Sale of Cover Assets

Realisation of the Special Estate may occur in the following circumstances:

- (i) the Issuer, or upon its appointment by the Supervisor, the Cover Pool Administrator may need to liquidate the Special Estate in whole or in part in order to repay the Pandbrieven Holders upon the occurrence of an Event of Default and the service of a Notice of Default by the Mortgage Pandbrieven Holders' Representative;
- (ii) following the initiation of winding-up proceedings against the Issuer and the appointment of the Cover Pool Administrator by the Supervisor, the Cover Pool Administrator may subject to approval of the Supervisor and after consultation with the Mortgage Pandbrieven Holders' Representative, proceed with the liquidation of the Special Estate in order to repay the Pandbrieven Holders to the extent the Cover Assets are not sufficient or risk not being sufficient to satisfy the obligations under the Mortgage Pandbrieven; or
- (iii) following the initiation of winding-up proceedings against the Issuer and the appointment of the Cover Pool Administrator by the Supervisor, the Cover Pool Administrator may after consultation with the Supervisor and the Mortgage Pandbrieven Holders' Representative, proceed with the liquidation of the Special Estate in whole or in part and the repayment of the Pandbrieven Holders when a decision to that effect has been taken at a meeting of Pandbrieven Holders at which at least two thirds of the principal amount of all Mortgage Pandbrieven of all Series is represented.

There is no assurance that in case of such realisation of the Special Estate, the liquidation proceeds will be sufficient to pay all amounts due to the Pandbrieven Holders and the Other Cover Pool Creditors under and in relation to the Mortgage Pandbrieven and the Programme Documents in accordance with the applicable Priority of Payments (See also "Factors that may impact the realisable value of the Cover Assets and the Special Estate" below). The Mortgage Pandbrieven may therefore be repaid sooner or later than expected or not at all.

Following its appointment, the Cover Pool Administrator, or any person appointed by the Cover Pool

Administrator, will furthermore be entitled to sell, in whole or in part, the Cover Assets in order to help satisfy the Issuer's obligations in respect of the Mortgage Pandbrieven. Any such transaction that entails or risks to entail that the Cover Tests, the Liquidity Test or the contractual provisions can no longer be fulfilled, will require the prior approval of the Supervisor and of the Mortgage Pandbrieven Holders' Representative.

There is no guarantee that the Cover Pool Administrator will be able to sell in whole or in part the Cover Assets as the Cover Pool Administrator may not be able to find a buyer at the time it chooses to sell

#### Transfer of the Special Estate in case of winding-up or distress

Under the following circumstances, the Special Estate may also be transferred to another entity:

- (i) following the initiation of winding-up proceedings against the Issuer and the appointment of the Cover Pool Administrator by the Supervisor, the Cover Pool Administrator may, in the interest of the Pandbrieven Holders and subject to approval of the Supervisor, transfer the Special Estate (i.e. all assets and liabilities) and its management to another institution which shall be responsible for the continued performance of the obligations owed to the Pandbrieven Holders in accordance with the originally agreed Conditions (and Final Terms);
- (ii) within the framework of resolution measure taken in accordance with the provisions of the Credit Institutions Supervision Law, the National Resolution Authority may impose a transfer of assets and liabilities of the Issuer to a specially created asset management vehicle in the event (a) that a liquidation of the assets under regular insolvency proceedings could have an adverse effect on one or more financial markets, (b) such transfer is necessary to ensure the proper functioning of the institution under resolution or (c) if such transfer is necessary to maximise luiqidation proceeds (Article 265 and the following of the Credit Institutions Supervision Law). Such transfer may include the Special Estate.

Even though the rights of the Pandbrieven Holders against the Special Estate will be maintained and will follow the Special Estate on any such transfer, investors should be aware that in such circumstances, the obligor under the Mortgage Pandbrieven will be the institution to which the Special Estate is transferred.

# Other Cover Pool Creditors and subordination

Certain other creditors of the Issuer acting in relation to the issuance of Mortgage Pandbrieven also have, in accordance with the Conditions and the Belgian Covered Bond Regulations, recourse against the Special Estate. These include the Mortgage Pandbrieven Holders' Representative, the Cover Pool Monitor, any Hedging Counterparty, any Liquidity Facility Provider, the Cover Pool Administrator as well as any of the other Other Cover Pool Creditors (as defined in Condition 1 (*Interpretation*)). In accordance with the Post-Event of Default Priority of Payments and the Early Redemption Priority of Payments (see Condition 9 (*Priorities of Payments*)), the claims of the Pandbrieven Holders may thereby be subordinated to the claims of the Mortgage Pandbrieven Holders' Representative, the Cover Pool Monitor, the Cover Pool Administrator and the Operational Creditors and will rank *pari passu* with the claims of any Hedging Counterparty and any Liquidity Facility Provider (subject to certain exceptions). As a result, it is possible that none or only part of the proceeds of the Special Estate is available to satisfy amounts due and payable to the Pandbrieven Holders.

This risk is to some extent mitigated by the Statutory Tests (see "General Description of the Mortgage Pandbrieven" below).

# Acceleration of the Mortgage Pandbrieven by the Pandbrieven Holders

Pandbrieven Holders should be aware that the breach of the Statutory Tests, the non-compliance of the Issuer with the Belgian Covered Bond Regulations and the opening of bankruptcy proceedings with respect to the Issuer will not automatically give them the right to declare the Mortgage Pandbrieven immediately due and payable. Other than pursuant to an Event of Default under

Condition 8 (*Events of Default and Enforcement*) or pursuant to Article 11, 7° Annex III to the Credit Institutions Supervision Law (following a winding-up of the Issuer when a decision to that effect has been taken at a meeting of Pandbrieven Holders at which at least two thirds of the principal amount of all Mortgage Pandbrieven of all Series is represented), the Pandbrieven Holders cannot cause an acceleration or early repayment of the Mortgage Pandbrieven.

# Recourse on the General Estate and general liens

The Credit Institutions Supervision Law introduced a general lien on movable assets for the benefit of the deposit guarantee fund as well as a general lien on moveable assets for the benefit of natural persons and SMEs for deposits exceeding EUR 100,000. These general liens, which entered into force on the 3<sup>rd</sup> of March 2015, could have an impact on the recourse that the Special Estate (or any Pandbrieven Holder) would have on the General Estate of the Issuer in the case of an insolvency as the claims which benefit from a general lien will rank ahead of the claim the Special Estate (or any noteholder) against the General Estate in accordance with Article 6, indent 8 of Annex III to the Credit Institutions Supervision Law.

#### **Return of Cover Assets to the General Estate**

Any positive balance remaining after the closing of the liquidation of the Special Estate shall by operation of law be part of the General Estate of the Issuer. Cover Assets shall thus in principle only return to the General Estate after all obligations owed under and relation of the Mortgage Pandbrieven have been repaid in full. Following the initiation of winding-up proceedings against the Issuer, the bankruptcy trustee may however require, after consultation with the Supervisor, that the Cover Pool Administrator returns such part of the Cover Assets to the General Estate of which it is certain that they are no longer necessary to serve as Cover Assets. Based on the preparatory works of the Law of 3 August 2012 regarding the implementation of a legal framework for Belgian covered bonds which amended the Credit Institutions Supervision Law, the determination as to whether certain cover assets constitute a surplus that is not necessary for the payment of the covered bond holders must not only take into account the regulatory requirements but also have regard to, as the case may be, the maintenance of the credit ratings assigned by external credit ratings agencies. However, no assurance can be given that such return of Cover Assets to the General Estate will not affect the value of the Mortgage Pandbrieven.

#### Belgian bankruptcy proceedings

If bankruptcy proceedings were initiated against the Issuer in Belgium, a receiver would be appointed over the Issuer. The initiation of bankruptcy proceedings against the Issuer would not affect the relevant powers of the Cover Pool Administrator to manage the Special Estate to the exclusion of the Issuer and the insolvency administrator. The purpose of such management is to ensure compliance with the obligations under the Mortgage Pandbrieven in accordance with the Conditions.

In addition, bankruptcy proceedings would be limited to the General Estate of the Issuer, since the Special Estate do not form part of the bankruptcy estate of the Issuer. The proceedings do not cause the obligations and debts covered by the Special Estate (such as those resulting from the Mortgage Pandbrieven) to become due and payable.

Pursuant to the Belgian Covered Bonds Regulations, a receiver has a legal obligation to co-operate with the Supervisor and the cover Pool Administrator in order to enable them to manage the Special Estate in accordance with the Belgian Covered Bonds Regulation. There may be certain practical difficulties in this respect, which may cause a delay in the execution of the obligations of the Special Estate towards the Pandbrieven Holders and the Other Cover Pool Creditors.

Whenever a credit institution is subject to a resolution measure in accordance with the provisions of the Credit Institutions Supervision Law (or if all conditions are fulfilled for initiating a resolution measure), no liquidation proceedings (*faillissement / faillite*) can be started without the prior approval of the National Resolution Authority (Article 273 of the Credit Institutions Supervision Law).

The Credit Institutions Supervision Law incorporates private international law principles transposing Directive 2001/24/EC of the European Parliament and the Council of April 2001 on the reorganisation

and winding up of credit institutions (as amended or supplemented from time to time, the **Credit Institutions Insolvency Directive**) into Belgian Law. The Credit Institutions Insolvency Directive applies to credit institutions and their branches set up in Member States other than those in which they have their head offices, as defined in Directive 2000/12/EC, subject to the conditions and exemptions laid down in the Credit Institutions Insolvency Directive. Only the administrative or judicial authorities of the home member state which are responsible for winding-up are empowered to decide on the opening of winding-up proceedings.

# **Commingling Risk**

In accordance with Article 3 Annex III to the Credit Institutions Supervision Law, cash amounts held by the Issuer as a result of collections on, or as, Cover Assets will, by operation of law, form part of the Special Estate. In the event of bankruptcy of the Issuer, the ability of the Special Estate to make timely payments on the Mortgage Pandbrieven may in part depend on the availability of such cash amounts. To the extent such amounts are held on bank accounts with the Issuer, the existence of commingling risk in respect of such amounts can, as a practical matter, not be excluded. This risk is however mitigated to some extent by the revindication mechanism provided in Article 3, §2 second indent Annex III to the Credit Institutions Supervision Law pursuant to which the property rights over any amounts that are part of the Special Estate but that cannot be identified as such in the General Estate, are transferred by operation of law to other unencumbered assets in the General Estate selected in accordance with the criteria specified in Condition 12 (*Mortgage Pandbrieven Provisions*). The bankruptcy trustee or liquidator of the General Estate has an obligation to transfer such selected assets to the Cover Pool Administrator upon receipt of a claim therefore.

#### Set-off risk

The registration of Residential Mortgage Loans as Cover Assets in the Special Estate will, in principle, not be notified to the underlying debtors. Under Belgian law, legal set-off occurs where two persons hold claims against each other, provided, in general, that their debts exist, are fungible, liquid (vaststaand/liquide) and due (opeisbaar/exigible). As a result, set-off rights may therefore continue to arise in respect of cross-claims between an underlying debtor of a Residential Mortgage Loan and the Issuer, potentially reducing amounts receivable by the Special Estate.

Pursuant to the Mobilisation Law, a Residential Mortgage Loan in the Special Estate will however no longer be subject to set-off risk by the underlying debtor: (a) following notification of the registration/transfer of the relevant loan to the underlying debtor (or acknowledgement thereof by the underlying debtor), to the extent the conditions for set-off are only satisfied after such notification (or acknowledgement); and (b) regardless of any notification or acknowledgement of the registration/transfer, following the start of insolvency proceedings or the occurrence of a situation of concurrence of creditors (samenloop/concours) in relation to the Issuer, to the extent the conditions for set-off are only satisfied following or as a result of such insolvency proceedings or concurrence of creditors.

The Residential Mortgage Loans in the Special Estate may nevertheless still be subject to the rights of the underlying debtors of Residential Mortgage Loans to invoke set-off to the extent that the relevant claims against the Issuer arise, or the conditions for set-off against the Issuer are met, prior to the earlier of (i) the notification (or acknowledgement) of the registration of the loan or (ii) the start of insolvency proceedings or the occurrence of a situation of concurrence of creditors in respect the Issuer. The exercise of set-off rights by underlying debtors may adversely affect the value of the Special Estate, may additionally affect any sale proceeds of the Special Estate and may ultimately affect the ability of the Issuer or the Cover Pool Administrator, as applicable, to make payments under the Mortgage Pandbrieven.

#### Mortgage mandates

Pursuant to the Belgian Covered Bond Regulations, a Residential Mortgage Loan which is partly secured by a mortgage mandate may be included in the Special Estate. Subject to certain valuation rules (see section "Summary of the Belgian Covered Bond Regulations — Cover Test — Valuation methodology" below), the amounts secured by the mortgage mandate may be taken into account for purposes of the Cover Tests.

Investors should be aware that such mortgage mandate does not constitute an actual security which creates a priority right of payment out of the proceeds of a sale of the mortgage property, but would first need to be converted into a mortgage. The mortgage mandate is an irrevocable power of attorney granted by a Borrower or a third party provider of Related Security to certain attorneys enabling them to create a mortgage as security for the Residential Mortgage Loan (or, as the case may be, for other existing or future loans or all other sums owed by the Borrower to the Issuer at any stage). A mortgage will only become enforceable against third parties upon registration of the mortgage at the relevant mortgage registrar. The ranking of the mortgage is based on the date of registration. The registration is dated the day on which the mortgage deed pertaining to the creation of the mortgage and the "registration extracts" (borderellen/bordereaux) are registered at the relevant mortgage registrar's office. Prior to such registration, third parties acting in good faith may register prior-ranking mortgages.

In certain circumstances, exercise of a mandate may no longer be possible or may no longer result in valid and effective security. The following limitations, amongst others, exist in relation to the conversion of mortgage mandates:

- (a) the Borrower or the third party collateral provider that has granted a mortgage mandate, may grant a mortgage to a third party that will rank ahead of the mortgage to be created pursuant to the conversion of the mortgage mandate, although this would generally constitute a contractual breach of the standard loan documentation;
- (b) if a conservatory or an executory seizure of the real property covered by the mortgage mandate has been filed by a third party creditor of the Borrower or, as the case may be, of the third party collateral provider, a mortgage registered pursuant to the exercise of the mortgage mandate after the writ of seizure has been recorded at the mortgage register, will not be enforceable against the seizing creditor;
- (c) if the Borrower or the third party collateral provider is a merchant or commercial entity:
  - (i) the mortgage mandate can no longer be converted following the bankruptcy of the Borrower or, as the case may be, the third party collateral provider and any mortgage registered at the mortgage register after the bankruptcy judgement is void; and
  - (ii) a mortgage registered at the mortgage register pursuant to the exercise of a mortgage mandate during the pre-bankruptcy investigation period (i.e. after the date of cessation of payments that may be fixed by the court) for a pre-existing loan will not be enforceable against the bankrupt estate. Under certain circumstances, the clawback rules are not limited in time, for example where a mortgage has been granted pursuant to a mortgage mandate and in order to "fraudulently prejudice" creditors; and
  - (iii) mortgages registered after the day of cessation of payments of debt can be declared void by the bankruptcy court, if the registration was made more than 15 days after the creation of the mortgage; and
  - (iv) the effect of a judicial reorganisation (*gerechtelijke reorganisatie/réorganisation judiciaire*) of a Borrower or of a third party collateral provider on the mortgage mandate is uncertain;
- (d) if the Borrower or the third party collateral provider, as the case may be, is a private person and started collective debt settlement proceedings, a mortgage registered at the mortgage register after the court has declared the request admissible, is not enforceable against the other creditors of the Borrower or of the third party collateral provider;
- (e) besides the possibility that the Borrower or the third party collateral provider may grant a mortgage to another lender discussed above, the mortgage to be created pursuant to a mortgage mandate may also rank behind certain statutory mortgages (such as e.g. the statutory mortgage of the tax and the social security authorities) to the extent these mortgages are registered before the exercise of the mortgage mandate. In this respect, it should be noted that the notary involved in preparing the mortgage deed will need to notify the tax

administration, and, as the case may be, the social security administration before finalising the mortgage deed pertaining to the creation of the mortgage;

(f) if the Borrower or the third party collateral provider, as the case may be, is a private person, certain limitations apply to the conversion of the mortgage mandate into a mortgage if the Borrower or third party collateral provider dies before the conversion; certain limitations also apply in case of a dissolution of the Borrower or third party collateral provider that is a legal person.

Once a mandate is exercised, the ensuing mortgage will rank at the highest level available at the time of registration of such mortgage.

Financial institutions should consult their own legal advisors or the appropriate regulators to determine the appropriate treatment of Mortgage Pandbrieven under any applicable risk-based capital or similar rules.

#### Reliance on third parties

The Special Estate has entered into agreements with a number of third parties which have agreed to perform services for the Special Estate. The ability of the Special Estate to duly perform its obligations under the Mortgage Pandbrieven will depend to a large extent on the due performance by other third parties of their obligations and duties under the Programme Documents.

### **Reliance on Hedging Counterparties**

In order to provide a hedge against interest rate, currency and/or other risks in respect of amounts received by the Issuer under the Residential Mortgage Loans forming part of the Cover Assets and its obligations under the Mortgage Pandbrieven, the Issuer may enter into one or more Hedging Agreements with a Hedging Counterparty in respect of certain Series of Mortgage Pandbrieven.

A Hedging Counterparty is only obliged to make payments to the Issuer under a Hedging Agreement as long as the Issuer complies with its payment obligations thereunder. If the Hedging Counterparty is not obliged to make payments under the Hedging Agreement or if it defaults itself on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Issuer on the due date for payment under the relevant Hedging Agreement, the Issuer will be exposed the risks intended to be covered by such Hedging Agreement. As a result, the Issuer may have insufficient funds to make payments under the Mortgage Pandbrieven.

If a Hedging Agreement terminates, then the Issuer may be obliged to make a termination payment to the relevant Hedging Counterparty. There can be no assurance that the Issuer will have sufficient funds available to make a termination payment under the relevant Hedging Agreement, nor can there be any assurance that the Issuer will be able to enter into a replacement hedging agreement, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Mortgage Pandbrieven by a Rating Agency.

If the Issuer is obliged to pay a termination payment under any Hedging Agreement, such termination payment will rank *pari passu* with amounts due on the Mortgage Pandbrieven, except where such termination has been caused by the default, or downgrade of, the relevant Hedging Counterparty.

#### **Conflicts of Interest**

### Time subordination

In circumstances where not all Series of the Mortgage Pandbrieven are immediately due and payable, the Issuer or, as the case may be, the Cover Pool Administrator, will be entitled to apply available funds in order to repay earlier maturing Series of Mortgage Pandbrieven, which may mean that there may be fewer assets available to support later maturing Series of Mortgage Pandbrieven

# Potential conflicts of interest between the Issuer acting as Calculation Agent and the Pandbrieven Holders

The Calculation Agent is entitled to carry out a series of determinations which affect the Mortgage Pandbrieven. Such determinations could have an adverse effect on the value of the Mortgage Pandbrieven and on the amounts payable to investors under the Conditions of the Mortgage Pandbrieven, whether in the case of an early redemption event or at maturity, giving rise to a potential conflict of interest in respect of the interests of the Pandbrieven Holders.

# Mortgage Pandbrieven Holders' Representative's powers may affect the interests of the Pandbrieven Holders

The Mortgage Pandbrieven Holders' Representative shall, in connection with the exercise of its powers, authorities and discretions (including, without limitation, any modification or determination), have regard to the general interests of the Pandbrieven Holders as a whole, but shall not have regard to any interests arising from circumstances particular to individual Pandbrieven Holders or the consequences of any such exercise for individual Pandbrieven Holders. Accordingly, a conflict of interest may arise to the extent that the interests of particular Pandbrieven Holders are not aligned with those of the Pandbrieven Holders generally.

If, in connection with the exercise of its powers, authorities or discretions, the Mortgage Pandbrieven Holders' Representative is of the opinion that the interests of the holders of the Mortgage Pandbrieven of any one or more Series could or would be materially prejudiced thereby, the Mortgage Pandbrieven Holders' Representative may determine that it will not exercise such power, authority or discretion without the approval of such Pandbrieven Holders by Extraordinary Resolution. Provided that the Mortgage Pandbrieven Holders' Representative acts in good faith, as described in the foregoing, it will not incur any liability to any of the Pandbrieven Holders, any Other Cover Pool Creditor or any other person for so doing.

### IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of Mortgage Pandbrieven issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented or applied in a Relevant Member State of the European Economic Area) (the **Prospectus Directive**).

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

The requirement to publish a prospectus under the Prospectus Directive only applies to Mortgage Pandbrieven which are to be admitted to trading on a regulated market in the European Economic Area under Article 3.2 of the Prospectus Directive (as implemented in the Relevant Member State(s)). References in this Base Prospectus to **Exempt Mortgage Pandbrieven** are to Mortgage Pandbrieven for which no prospectus is required to be published under the Prospectus Directive. The Issuer may agree with any Dealer that Exempt Mortgage Pandbrieven may be issued in a form not contemplated by the Terms and Conditions of the Mortgage Pandbrieven herein.

Neither the Arranger, nor the Dealers, nor the Mortgage Pandbrieven Holders' Representative (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers or the Mortgage Pandbrieven Holders' Representative as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. None of the Arranger, the Dealers or the Mortgage Pandbrieven Holders' Representative accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

To the fullest extent permitted by law, any Dealer appointed under the Programme from time to time does not accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Dealer or on its behalf in connection with the Issuer or the issue and offering of the Mortgage Pandbrieven. Each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to in this section) which it might otherwise have in respect of this Base Prospectus or any such statement. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised by the Issuer or the Mortgage Pandbrieven Holders' Representative to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Mortgage Pandbrieven and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Mortgage Pandbrieven Holders' Representative.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Mortgage Pandbrieven (a) is intended to provide the basis of any credit or other evaluation or (b)

should be considered as a recommendation by the Issuer, the Arranger, any of the Dealers or the Mortgage Pandbrieven Holders' Representative that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Mortgage Pandbrieven should purchase any Mortgage Pandbrieven. Each investor contemplating purchasing any Mortgage Pandbrieven should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Mortgage Pandbrieven constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, any of the Dealers or the Mortgage Pandbrieven Holders' Representative to any person to subscribe for or to purchase any Mortgage Pandbrieven.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Mortgage Pandbrieven shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Mortgage Pandbrieven Holders' Representative expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Mortgage Pandbrieven of any information coming to their attention. Investors should review, *inter alia*, the documents incorporated herein by reference when deciding whether or not to purchase any Mortgage Pandbrieven.

This Base Prospectus contains certain statements that are forward-looking statements with respect to the Issuer's business strategies, expansion and growth of operations, trends in its business, competitive advantage, and technological and regulatory changes, information on exchange rate risk and generally including all statements preceded by, followed by or that include the words "believe", "expect", "project", "anticipate", "seek", "estimate" or similar expressions. Such forward-looking statements are not guarantees of future performance and involve risk and uncertainties and actual results may differ materially from those in the forward looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

# IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF MORTGAGE PANDBRIEVEN GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Mortgage Pandbrieven in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Mortgage Pandbrieven may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Mortgage Pandbrieven Holders' Representative do not represent that this Base Prospectus may be lawfully distributed, or that any Mortgage Pandbrieven may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Mortgage Pandbrieven Holders' Representative which is intended to permit a public offering of any Mortgage Pandbrieven or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Mortgage Pandbrieven may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Mortgage Pandbrieven may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Mortgage Pandbrieven. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Mortgage Pandbrieven in the United States, the United Kingdom, Republic of Italy, Japan, France, the Netherlands, the Czech Republic, Poland, the Grand Duchy of Luxembourg, Hong Kong, Republic of Singapore, Korea, Hungary, the Slovak Republic, Spain and Switzerland (see "Subscription and Sale" below).

This Base Prospectus has been prepared on a basis that would permit a public offer of Mortgage Pandbrieven with a denomination of at least EUR 100,000 or its equivalent in any other Specified Currency. As a result, any offer of Mortgage Pandbrieven in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**)

must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Mortgage Pandbrieven. Accordingly any person making or intending to make an offer of Mortgage Pandbrieven in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Mortgage Pandbrieven in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Mortgage Pandbrieven may not be a suitable investment for all investors. Each potential investor in the Mortgage Pandbrieven must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Mortgage Pandbrieven, the merits and risks of investing in the Mortgage Pandbrieven and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Mortgage Pandbrieven and the impact the Mortgage Pandbrieven will have on investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Mortgage Pandbrieven, including Mortgage Pandbrieven where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Mortgage Pandbrieven and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Mortgage Pandbrieven are legal investments for it, (2) Mortgage Pandbrieven can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Mortgage Pandbrieven. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Mortgage Pandbrieven under any applicable risk-based capital or similar rules.

The Mortgage Pandbrieven have not been and will not be registered under the United States Securities Act of 1933, as amended from time to time, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Mortgage Pandbrieven may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "Subscription and Sale").

# **STABILISATION**

In connection with the issue of any Tranche of Mortgage Pandbrieven, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Mortgage Pandbrieven or effect transactions with a view to supporting the market price of the Mortgage Pandbrieven at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Mortgage Pandbrieven is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Mortgage

Pandbrieven and 60 days after the date of the allotment of the relevant Tranche of Mortgage Pandbrieven. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with the applicable recommendation of the International Capital Markets Association (ICMA).

## PRESENTATION OF INFORMATION

In this Base Prospectus, all references to Euro, EUR and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union

### SUMMARY OF THE BELGIAN COVERED BOND REGULATIONS

The following is a brief summary of certain features of the Belgian Covered Bond Regulations governing the issuance of Belgian covered bonds as at the date of this Base Prospectus. The Belgian Covered Bond Regulations may be supplemented, amended, modified or varied whether by legislative enactment or by way of judicial decisions and administrative pronouncements including, possibly, with retroactive effect.

This summary is a general description of the Belgian Covered Bonds Regulations. It does not purport to be, and is not, a complete description of all aspects of the Belgian legislative and regulatory framework pertaining to Belgian covered bonds. Prospective Pandbrieven Holders should also read the detailed information set out elsewhere in this Base Prospectus.

The original and official languages of the Belgian Covered Bond Regulations are Dutch and French. The following summary is provided in English only for the sake of convenience. In the event of any doubt, the original Dutch or French language version of the Belgian Covered Bond Regulations should be consulted.

### 1. INTRODUCTION – OVERVIEW OF THE BELGIAN COVERED BOND REGULATIONS

- 1.1 On 3 August 2012, Belgian parliament voted into law a legal framework for the issuance of Belgian Covered Bonds. The new legal framework was set up to allow Belgian credit institutions to issue a debt instrument as referred to under article 52, paragraph 4 of Directive 2009/65 of the European Parliament and of the Council of 13 July 2009 on the coordination of the law, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (as amended from time to time, the UCITS Directive). To this effect, the Belgian Act of 3 August 2012 establishing a legal framework for Belgian covered bonds (the Covered Bond Law) amended the Belgian Act of 22 March 1993 regarding the status of and supervision on credit institutions, introducing the concepts of a "Belgian covered bond" (Belgische covered bond/covered bond belge) and a "Belgian pandbrief" (Belgische pandbrief/lettre de gage belge). The Belgian Act of 22 March 1993 regarding the status of and supervision on credit institutions was amended and restated by the Act of 25 April 2014 regarding the status of and supervision on credit institutions, published in the Belgian Official Journal on 7 May 2014 (the "Credit Institutions Supervision Law").
- 1.2 A **Belgian Covered Bond** is a debt instrument that satisfies the following criteria (art. 1, 1° Annex III to the Credit Institutions Supervision Law):
  - it is issued by a Belgian credit institution that is registered on a list, held by the Supervisor, of credit institutions that have been granted a General Authorisation by the Supervisor to issue Belgian covered bonds;
  - (b) it is, or is issued under a programme that is, registered on a list, held by the Supervisor (per issuer), of issues or issuance programmes for which the Supervisor has granted a Specific Authorisation in accordance with the provisions of the Credit Institutions Supervision Law; and
  - (c) is a debt instrument in relation to which a special estate (bijzonder vermogen/patrimoine spécial) is created in accordance with the provisions of the Credit Institutions Supervision Law.

- 1.4 The Belgian legislator made the following fundamental choices in respect of the Belgian covered bond framework:
  - (a) the Covered Bond Law does not foresee in the creation of a new type of specialized credit institution. Belgian Covered Bonds can be issued by a regular Belgian credit institution. However, in order to be entitled to issued Belgian Covered Bonds, the issuing credit institution needs to obtain two authorisations from the Supervisor as Supervisor (dual authorisation):
    - (i) a General Authorisation to issue Belgian Covered Bonds; and
    - (ii) a Specific Authorisation in relation to each issue or issuance programme of Belgian Covered Bonds;
  - (b) the holders of the Belgian Covered Bonds (and certain other creditors that can be established on the basis of the terms and conditions of the relevant Belgian Covered Bond) benefit from an exclusive right of recourse to a segregated pool of cover assets (dekkingswaarden/actifs de couverture). For the segregation of this pool of cover assets, the Belgian legal framework has opted for a technique whereby the cover assets are segregated on the balance sheet of the issuer by the creation of one or more special estates (bijzonder vermogen/patrimoine spécial). The right of recourse to the segregated special estate comes in addition to a general right of recourse to the remaining assets (not allocated to a special estate) on the balance of the issuing credit institution - the general estate (algemeen vermogen/patrimoine général). This way, the holder of the Belgian Covered Bonds (and the other related creditor) obtain a dual recourse. The Belgian legislator has thus followed the approach of certain well established covered bond jurisdictions, such a Germany, which provides for an on balance sheet segregation of cover assets rather than a segregation of assets into a special purpose vehicle.
- 1.4 A **Belgian Pandbrief** (art. 1, 3° and 2, § 1 Annex III to the Credit Institutions Supervision Law) is a Belgian Covered Bond whereby the composition and valuation of the Cover Assets must satisfy the specific requirements to obtain an advantageous risk weight under the Belgian own fund regulations transposing the Capital Requirements Directive IV. The criteria to determine whether a Belgian Covered Bond satisfies such specific requirements, may be established or clarified by royal decree (art. 81 of the Credit Institutions Supervision Law).
- 1.5 On 11 October 2012, two royal decrees were adopted further implementing the provisions of the Covered Bond Law:
  - (a) the royal decree regarding the issuance of Belgian Covered Bonds by Belgian law credit institutions (the Covered Bonds Royal Decree). The Covered Bonds Royal Decree provides for implementing regulations in order to allow for the issuance of Belgian Pandbrieven;
  - (b) the royal decree regarding the cover pool administrator in the framework of the issuance of Belgian Covered Bonds by a Belgian credit institution (the Cover Pool Administrator Royal Decree). Under the Covered Bond Law, an important role has been created for a cover pool administrator (portefeuillebeheerder/gestionnaire de portefeuille) that will or may be appointed by the Supervisor under certain circumstances in order to take over the management of the special estate (art. 8, §1 Annex III to the Credit Institutions Supervision Law). The Cover Pool Administrator Royal Decree sets forth further rules regarding required qualifications and powers of

the Cover Pool Administrator (art. 9 Annex III to the Credit Institutions Supervision Law).

- 1.6 In accordance with the Covered Bonds Royal Decree, the NBB was also mandated to establish technical rules implementing certain provisions of the Covered Bonds Royal Decree. On 29 October 2012, the NBB issued two regulations:
  - (a) the regulation (NBB\_2012\_12) regarding practical rules for the application of the law of 3 August 2012 establishing a legal framework for Belgian covered bonds (*circulaire* over de praktische regels voor de toepassing van de wet van 3 augustus 2012 tot invoering van een wettelijke regeling voor covered bonds/circulaire sur les modalités pratiques d'application de la loi du 3 août 2012 instaurant le régime pour les covered bonds)(the NBB Covered Bonds Regulation);
  - (b) the regulation (NBB\_2012\_13) addressed to portfolio monitors at Belgian credit institutions that issue Belgian covered bonds (circulaire aan portefeuillesurveillanten bij kredietinstellingen naar Belgisch recht die Belgische covered bonds uitgeven/circulaire aux surveillants de portefeuille auprès d'établissements de credit de droit belge qui émettent des covered bonds belges)(the NBB Cover Pool Monitor Regulations).
- 1.7 Whereas the creation of Belgian Covered Bonds depends on the effectiveness of the segregation of Cover Assets in a Special Estate on balance of the issuing credit institution, the Belgian legislator also had to ensure that this segregation would not be open to challenge or recharacterisation on the basis of insolvency rules. Therefore, a second law was voted by Belgian Parliament on 3 August 2012 regarding diverse measures to facilitate the mobilisation of claims in the financial sector (wet betreffende diverse maatregelen ter vergemakkelijkijng van de mobilisering van schuldvorderingen in de financiële sector/loi relative à des mesures pour faciliter la mobilisation de créances dans le secteur financier)(the Mobilisation Law).
- 1.8 The Belgian Credit Institutions Supervision Law, the Mobilisation Law, the Cover Bonds Royal Decree, the Cover Pool Administrator Royal Decree, the NBB Covered Bonds Regulation and the NBB Cover Pool Monitor Regulations, together constitute the **Belgian Covered Bond Regulations**.
- 1.9 The Mortgage Pandbrieven issued under the Programme described in this Base Prospectus will be issued pursuant to the Belgian Covered Bonds Regulations.

## 2. DUAL AUTHORISATION

- 2.1 Belgian Covered Bonds may only be issued by a Belgian credit institution following the receipt of two authorisations by the Supervisor (art. 79 of the Credit Institutions Supervision Law):
  - (a) a general authorisation to be requested in accordance with art. 80, §1 of the Credit Institutions Supervision Law, that relates to the organizational capacity of a credit institutions to issue and monitor Belgian Covered Bonds (the **General Authorisation**); and
  - (b) a specific authorisation to be requested in accordance with art. 80, §2 of the Credit Institutions Supervision Law prior to each issue (that does not take place within the context of an issuance programme) or each issuance programme, that relates to the compliance of a specific issue or issuance programme with the provisions of the Belgian Covered Bond Regulations (the **Specific Authorisation**).

# A. General Authorisation

- 2.2 In order to obtain a General Authorisation, the credit institution that intends to issue Belgian Covered Bonds needs to submit a file with the Supervisor describing how it will organize the proposed transactions. This file needs to include, *inter alia*, the following information:
  - (a) a description of the financial position of the issuer, showing it is sufficiently solvent to safeguard also the interest of creditors other than the covered bondholders;
  - (b) a description of the long-term strategy of the issuer, in particular as to liquidity and the role of the Belgian Covered Bonds in this strategy;
  - (c) a description of the tasks and responsibilities within the organisation of issuing credit institution in relation to the issuance of Belgian Covered Bonds;
  - (d) a description of the risk management policy of the issuing institution in relation to Belgian Covered Bonds, in particular in respect of interest rate risk, currency exchange risk, credit and counterparty risk, liquidity risk and operational risk;
  - (e) a description of the involvement of internal audit in the procedures for the issuance of Belgian Covered Bonds, including the frequency of the audits and applicable audit procedures;
  - (f) a description of the decision and reporting procedures in relation to the issuance Belgian Covered Bonds; and
  - (g) a description of the necessary IT systems in relation to the issuance of Belgian Covered Bonds.
- 2.3 The Supervisor will grant the General Authorisation to the extent, on the basis of the information in the file submitted by the credit institution, on-site inspections and further information it may obtain from the institution or third parties, it is convinced that:
  - (a) the administrative and accounting organisation of the credit institution allow it to comply with the requirements of the Belgian Covered Bond Regulations, in particular in terms of segregation of the Cover Assets; and
  - (b) the financial position of the credit institution, in particular its solvency, is sufficient to safeguard also the interest of creditors other than the covered bondholders.
- 2.4 Prior to granting the General Authorisation, the Supervisor will request the auditor of the credit institution to submit a report on the organisational capacity of the credit institution to comply with its obligations under the Belgian Covered Bond Regulations (art. 80, §1, of the Credit Institutions Supervision Law).
- 2.5 The Issuer obtained the General Authorisation from the NBB, as Supervisor, in relation to its organisational capacity to issue Belgian Covered Bonds on 5 November 2013.

# B. Specific Authorisation

- 2.6 In order to obtain the Specific Authorisation, the credit institution that intends to issue Belgian Covered Bonds needs to submit a file with the Supervisor including, *inter alia*, the following information:
  - (a) the impact of the envisaged issuance or issuance programme on the liquidity position of the credit institution:

- (b) the quality of the Cover Assets, in particular on the type of creditors of the Cover Assets, the collateral, guarantees or privileges securing the Cover Assets, the diversification of the Cover Assets and their maturity dates;
- (c) the matching of maturity dates of the Belgian Covered Bonds and the Cover Assets; and
- (d) elements showing that the requirements to obtain the General Authorisation are still satisfied.
- 2.7 The Supervisor will grant the Specific Authorisation to the extent, on the basis of the information in the file submitted by the credit institutions and further information it may request from the institution, it is convinced that:
  - (a) the institution has obtained the General Authorisation; and
  - (b) in respect of the envisaged issuance or issuance programme, the institution complies with the Belgian Covered Bond Regulations, in particular as far as the nature and minimum requirements of the Cover Assets is concerned (see below *under 4. Cover Assets and Tests*).
- 2.8 The Issuer obtained the Specific Authorisation from the NBB, as Supervisor, in relation to the Programme on 5 November 2013.

## C. Limitation on the issuance of Belgian Covered Bonds

- 2.9 Based on art. 10 of the Covered Bond Royal Decree, a credit institution shall in principle not be able to issue additional Belgian Covered Bonds to the extent the amount of all Cover Assets allocated to the Special Estate(s) related to all Belgian Covered Bonds issued by the credit institution (as reflected in its financial accounts) is higher than 8% of the aggregate amount of all its assets (balance sheet total).
- 2.10 In case exceptional circumstances on the financial markets justify an increased utilisation of Belgian Covered Bonds as a funding tool, the Supervisor may temporarily allow a more flexible limitation.
- 2.11 The Supervisor may also impose a more stringent limit, on a case by case basis, in order to protect the interest of other creditors than the holders of Belgian Covered Bonds. The Supervisor will in particular assess the impact of an envisaged issuance on the level of encumbered assets. To this end, the Supervisor expects that in the file to obtain the General Authorisation, the credit institution describes its policy towards liquidity and sets further internal limits that ensure:
  - (a) an adequate diversification between secured and unsecured funding sources;
  - (b) the availability of sufficient unencumbered assets to provide a cushion in the event of crisis on the market for unsecured funding; and
  - (c) the availability of sufficient unencumbered assets that can be allocated as Cover Assets in order to substitute matured or defaulted Cover Assets.

## D. Publication of Authorisations

2.12 The Supervisor keeps a list of:

- (a) credit institutions that have obtained a General Authorisation, which is published on the Supervisor's website, which, at the date of this Base Prospectus, is: <a href="www.nbb.be">www.nbb.be</a>
   prudential supervision areas of responsibility credit institutions lists credit institutions authorised to issue Belgian covered bonds; and
- (b) covered bonds issuance programmes and issuances for which the credit institution has obtained a Specific Authorisation, which is published on the Supervisor's website, which, at the date of this Base Prospectus, is <a href="www.nbb.be">www.nbb.be</a> – prudential supervision – areas of responsibility – credit institutions – lists – covered bond issuances carried out by the credit institutions (information only available in French or Dutch).
- 2.13 Both lists and amendments thereto are communicated by the Supervisor to the European Commission in application of art. 52, §4 of the UCITS Directive.
- 2.14 The Issuer is on the Supervisor's list of credit institutions that have obtained General Authorisation. The Programme is on the Supervisor's list of Belgian covered bonds in respect of which a Specific Authorisation has been granted.

## 3. SPECIAL ESTATE

3.1 A key characteristic of covered bonds is the existence of a segregated pool of assets providing an additional and exclusive right of recourse to the holders of the Belgian Covered Bonds.

## A. Creation of one or more Special Estates

- 3.2 In order to segregate a pool of Cover Assets, the Covered Bonds Law introduces a technique to separate one or more Special Estates within the estate of a credit institution that issues Belgian Covered Bonds.
- 3.3 Art. 3, §1 Annex III to the Credit Institutions Supervision Law confirms that the estate of a credit institution that issues Belgian Covered Bonds consist, by operation of law, of a general estate (algemeen vermogen/patrimoine général)(the **General Estate**) and one or more special estates (bijzondere vermogen/patrimoine spécial)(the **Special Estate(s)**).
- 3.3 The most important part of the Cover Assets in respect of an issuance or issuance programme of Belgian Covered Bonds is segregated into a Special Estate by the registration of such Cover Assets in a Cover Register that is kept by the issuing credit institution in relation to one or more specific issuances of Belgian Covered Bonds or, as the case may be, in relation to all Belgian Covered Bonds under an issuance programme (art. 15, §2 Annex III to the Credit Institutions Supervision Law). See below under 5(a) special obligations of the issuer in respect of administration of the Belgian Covered Bonds.
- In accordance with art. 3, §2 Annex III to the Credit Institutions Supervision Law, a Special Estate is, by operation of law, composed of:
  - (a) all assets registered in a Cover Register in accordance with art. 15, §2 Annex III to the Credit Institutions Supervision Law;
  - (b) all collateral cash and financial instruments received in relation to any hedging instruments that have been registered as Cover Assets;
  - (c) all security interest (*in rem* and personal), guarantees of privileges issued in relation to the Cover Asset, including all rights under insurance policies or other agreements relating to the Cover Assets or the management of the Special Estate;

- (d) all amounts held as collections in relation to Cover Assets or a result of the exercise of the rights referred to under (a) to (c) above (hereafter, the "**Collections**"); and
- (e) any mandatory reserves that would be held at the NBB in relation to the Special Estate.
- 3.5 The preparatory works to the Covered Bond Law clarify that the technique to segregate Cover Assets into a Special Estate does not result into the creation of a separate legal entity and hence does not trigger specific corporate law obligations or tax consequences.

## B. Purpose of the Special Estate - exclusive right of recourse

- 3.6 Based on art. 6 Annex III to the Credit Institutions Supervision Law, a Special Estate provides an exclusive right of recourse to:
  - (a) the holders of the related Belgian Covered Bonds; and
  - (b) the creditors of a claim that is or may be established on the basis of the terms and condition applicable to the related Belgian Covered Bonds.

As a result, no other creditor will be entitled to exercise any rights, including rights of attachment (beslag/saisie) against the Cover Assets in the Special Estate. Collateral that is posted in relation to a hedging instrument that constitutes a Cover Asset, may only be used to satisfy the obligations of the counterparty under such hedging instrument (or be returned to the collateral provider). In respect of the Mortgage Pandbrieven issued under the Programme, only the Pandbrieven Holders and the Other Cover Pool Creditors will thus have an exclusive right of recourse to the Special Estate.

- 3.7 A priority of payments between the claims of the holder of Belgian Covered Bonds (and any other creditors of claims related to the Belgian Covered Bonds issuance) may be determined in the terms and conditions and the agreement entered into in respect of the issuance of Belgian Cover Bonds or the related issuance programme (art. 6, 4<sup>th</sup> paragraph Annex III to the Credit Institutions Supervision Law). See Condition 9 (Priority of Payments) in the Section Terms and Conditions of the Mortgage Pandbrieven.
- 3.8 Art. 6, 5<sup>th</sup> to 7<sup>th</sup> paragraph Annex III to the Credit Institutions Supervision Law provide for three exceptions to the exclusive right of recourse:
- (a) in order to improve the liquidity of the Special Estate, additional obligations may be entered into in relation to the Special Estate (such as a liquidity line). The terms and conditions of the Belgian Covered Bonds may determine whether such additional obligations will be paid in priority or will be subordinated (in the absence of any determination, such obligations will rank pari passu and pro rata);
- (b) a Cover Pool Administrator (see below under 7.A Cover Pool Administrator) may, unless otherwise agreed, withhold its remuneration, costs and expenses from the Special Estate; and
- (c) following liquidation of the Special Estate, a remaining (positive) balance will, by operation of law, form part of the General Estate.
- 3.9 Notwithstanding this exclusive right of recourse to the Special Estate, the holders of the Belgian Covered Bonds and the other creditors related to the Belgian Covered Bonds retain a right of recourse to the General Estate (that ranks *pari passu* with the claims of all other unsubordinated creditors of the issuing institution) so that they can exercise a dual right of recourse (art. 6, 8th indent Annex III to the Credit Institutions Supervision Law).

# C. Management of the Special Estate

- 3.10 In first instance, the issuing credit institution remains responsible for the management of the Special Estate(s). The rights and obligations in respect of transactions between the issuing credit institution and a Special Estate need to be agreed upon in writing as if the Special Estate were a separate legal entity (art. 7 Annex III to the Credit Institutions Supervision Law).
- 3.11 In accordance with art. 8, §1 Annex III to the Credit Institutions Supervision Law, the Supervisor will appoint a cover pool administrator (*portefeuillebeheerder/surveillant de portefeuille*) (a **Cover Pool Administrator**) for each Special Estate:
  - (a) in case a recovery measure as provided for under article 236 of the Credit Institutions Supervision Law is taken in respect of the issuing credit institution that, in the opinion of the Supervisor, may have a negative impact on the related Belgian Covered Bonds:
  - (b) in case of a resolution procedure is initiated against the issuing credit institution; or
  - (c) if, in the opinion of the Supervisor, the position of the issuing credit institution seriously jeopardizes the interest of the holders of the relevant Belgian Covered Bonds.
- 3.12 Upon the appointment of a Cover Pool Administrator by the Supervisor, the Cover Pool Administrator will assume the management of the Special Estate (art. 8, §2 Annex III to the Credit Institutions Supervision Law). The Cover Pool Administrator manages the Special Estate with a view to ensure further compliance with the terms and conditions applicable to the relevant Belgian Covered Bonds. To this end, the Cover Pool Administrator is granted all necessary and useful powers to manage the Special Estate, including the power to dispose of Cover Assets. Any acts relating to the Special Estate that are performed in the name of the issuing credit institutions by any person other than the Cover Pool Administrator following its appointment, are null and void, unless such acts are ratified by the Cover Pool Administrator (See also see below under 7.A Cover Pool Administrator).

### D. Impact of reorganization and liquidation procedures

- 3.13 In the event liquidation procedures are started against the issuing credit institution (art. 11 Annex III to the Credit Institutions Supervision Law):
  - (a) such procedures will only affect the General Estate. The Special Estate(s) and the debts and liabilities covered by the Special Estate(s) will not be part of the bankrupt estate. The Special Estate will be managed separately from the bankruptcy procedure applicable to the General Estate of the issuing credit institution (i.e., on a bankruptcy remote basis);
  - (b) the bankruptcy trustee (*curator/curateur*) has a legal obligation to cooperate with the Supervisor and the Cover Pool Administrator so that they can manage the Special Estate(s) in accordance with the Belgian Covered Bond Regulations;
  - (c) the Belgian Covered Bonds and the other debts and liabilities covered by the Special Estate(s) will not be accelerated. They (can) remain outstanding until their stated maturity, regardless of the opening of liquidation procedures against the issuing credit institution;
  - (d) the holder of Belgian Covered Bonds and any other creditors of claims related to the Belgian Covered Bonds issuance, will retain their rights in the liquidation procedure;

- (e) the Cover Pool Administrator may, in the interest of the holders of the relevant Belgian Covered Bonds, following consultation with the representative of the holders of the relevant Belgian Covered Bonds and subject to consent of the Supervisor, transfer the Special Estate and the debts and liabilities related thereto to another institution that will assume the performance of the obligations in accordance with the initial terms and conditions;
- (f) the Cover Pool Administrator may, following consultation with the representative of of the holders of the relevant Belgian Covered Bonds and subject to the consent of the Supervisor, proceed with the liquidation of a Special Estate and the early redemption of the relevant Belgian Covered Bonds if the Cover Assets are no longer sufficient, or risk to be no longer sufficient, to satisfy the obligations in respect of the Belgian Covered Bonds;
- (g) the Cover Pool Administrator will, following consultation with the Supervisor and the representative of the holders of the Belgian Covered Bonds, proceed with the entire liquidation, in part or in full, of the Special Estate and the early redemption of the Belgian Covered Bonds if the holders of the Belgian Covered Bonds have approved such liquidation and early redemption by simple majority at a meeting of bondholders at which a quorum of at least two thirds of the outstanding principal amount of the Belgian Covered Bonds is present;
- (h) the bankruptcy trustee has the right, following consultation with the Supervisor, to require the Cover Pool Administrator to return those assets to the General Estate in respect of which it is clear they are no longer required as Cover Assets. The preparatory works to the Covered Bonds Law clarify that, when determining whether assets are no longer required as Cover Assets, one must not only take into account the regulatory requirement in view of the Cover Tests (see below 4.c. Statutory Tests Cover Tests), but also the retention of ratings by external credit rating agencies.
- 3.14 Whenever, by way of a resolution measure provided for under Book II, Title VII of the Credit Institutions Supervision Law), a transfer occurs that involves the Special Estate, the rights of the holders of the Belgian Covered Bonds (and of any other creditors of claims related to the Belgian Covered Bonds issuance) are automatically transferred together with the Cover Assets and assumed as obligations by the transferee (art. 10 Annex III to the Credit Institutions Supervision Law).
- 3.15 The start of liquidation procedures against the issuing credit institution, notwithstanding article 233 of the Credit Institutions Supervision Law, or the revocation of its license as a credit institution does not prevent the issuing credit institution to further perform activities that are necessary or useful to assist the Cover Pool Administrator with its management in order to safeguard the interest of the covered bondholders in respect of the Special Estate. The issuing credit institution may only perform such activities until all obligations in relation to the Special Estate have been satisfied or are extinguished (art. 12, §2 Annex III to the Credit Institutions Supervision Law).

# E. Special protection of the Special Estate against commingling risk

- 3.16 The Special Estate benefits from specific protections against commingling risk:
  - (a) if amounts held by the issuing credit institution as Collections, cannot be identified within the General Estate at the time a request is made to allocate such amounts to the Special Estate, the Special Estate will benefit from a special revindication right allowing it to exercise a claim on other unencumbered assets within the General

Estate. Such assets are identified following consultation between the representative of the Special Estate (either the Cover Pool Administrator or, in absence thereof, the Cover Pool Monitor) and the issuing credit institution (or its liquidator or bankruptcy trustee) on the basis of criteria determined in the terms and conditions of the Belgian Covered Bonds (art. 3, §2, second paragraph Annex III to the Credit Institutions Supervision Law). –

With respect to the Programme, these criteria are specified in Condition 12 (Mortgage Pandbrieven Provisions);

(b) in the event of a resolution procedure against the issuing credit institution or the transferring credit institution under Article 4 Annex III to the Credit Institutions Supervision Law, all amounts and payments relating to Cover Assets that are received by or on behalf of the Special Estate are automatically excluded from the bankrupt estate and exclusively allocated to the Special Estate. The bankruptcy trustee or liquidator will have to account for such amounts and remit them to the credit institution to which the assets are transferred in accordance with Article 4 Annex III to the Credit Institutions Supervision Law or, if applicable, to the Cover Pool Administrator (art. 5 Annex III to the Credit Institutions Supervision Law).

### 4. COVER ASSETS AND TESTS

# A. Categories of Cover Assets

- 4.1 In order to obtain the Specific Authorisation in respect of an issuance or an issuance programme for Belgian Cover Bonds, the issuing credit institution may only include the following types of assets may as Cover Assets in the Special Estate (art. 80, §3 of the Credit Institutions Supervision Law):
  - (a) claims secured by a mortgage;
  - (b) claims against or guaranteed by (i) a central, regional or local government of an OECD member state or (ii) a central banks of those states or (iii) a public entity of those states or (iv) a multilateral development bank or international organisation;
  - (c) participations in securitization vehicles that mainly securitize claims as set out under (a) or (b);
  - claims against a credit institution, including amounts deposited with such institution or amounts held by the issuing credit institution;
  - (e) positions resulting from hedging instruments entered into in relation to the Cover Assets or the relevant Belgian Covered Bonds.

# B. Further qualitative requirements for Cover Assets relating to Belgian Pandbrieven

- 4.2 The Covered Bonds Royal Decree has further implemented the qualitative requirements for Cover Assets that may be included in a Special Estate related to Belgian Pandbrieven.
- 4.3 Article 3 of the Covered Bonds Royal Decree identifies five categories of qualifying cover assets:
  - (a) category 1: claims secured by (at least) a first ranking mortgage on residential real estate situated in an EEA member state (Residential Mortgage Loans or certain asset-backed securities backed by such claims (RMBS).

Claims secured by a mortgage on residential real estate under construction (construction loans) may compose up to 15% of the aggregate amount of claims secured by residential real estate that are included as Cover Assets.

**Residential real estate** is real property that is destined for housing or for renting (*huur/location*) as housing by the owner.

(b) category 2: claims secured by (at least) a first ranking mortgage on commercial real estate situated in an EEA member state (Commercial Mortgage Loans) or certain asset-backed securities backed by such claims (CMBS). Claims secured by commercial real estate under construction are not eligible.

**Commercial real estate** is real property that is primarily used for industrial or commercial purposes or other professional activities, such as offices or other spaces used for the exercise of commercial activities or the rendering of services.

- (c) category 3: claims against or guaranteed or insured by (a) a central government or central bank of a member state of the Organisation for Economic Co-operation and Development (OECD), or by a regional or local government of those member states, (b) a public entity of an OECD member states, or (c) a multilateral development bank or international organisation that obtains a 0% risk weight in accordance with article 117.2 of the CRR, and certain asset-backed securities backed by such claims (ABS).
- (d) **category 4**: claims against a EEA credit institution, including amounts deposited with such credit institution or held by the issuing credit institution.
- (e) **category 5**: positions resulting from hedging instruments entered into in relation to Cover Assets or the relevant Belgian Covered Bonds and whereby the counterparty is an OECD credit institution.

In order for hedging instruments to qualify as eligible Cover Assets (art. 4 Covered Bonds Royal Decree):

- (i) the start of reorganisation or liquidation procedures against the issuing credit institution may not result in an automatic early termination (close-out) of the relevant hedging instrument and may not provide the counterparty with a right to invoke early termination (close-out) of the instrument;
- the issuing credit institution may not include the hedging instrument in netting or novation agreements;
- (iii) the issuing credit institution must be able to show that counterparty risk is minimal; and
- (iv) in case the counterparty is an entity which is part of the consolidation circle of the same group as the issuing credit institution, it needs be an EEA credit institution falling in credit quality category 1 as referred to article 120 of the CRR and the counterparty exposure needs to be covered by eligible collateral or financial instruments as referred to in article 197 of the CRR.
- 4.4 Collections paid in respect of the abovementioned categories of Cover Assets, may be applied as Cover Assets of the same category until such time such Collections are used for other purposes.

4.5 At the time an asset is registered as a Cover Asset in the Cover Register, such asset may not be subject to a payment default. A payment default is deemed to exist as soon as the debtor is in arrears with interest or principal payments. In case payments are 90 days in arrears, such payment default becomes definitive. A payment default is also deemed to exist in case the issuing credit institution deems it unlikely that the debtor will fully satisfy its obligations towards the credit institution without further action being taken (such as enforcement of collateral)(art. 3, §6 of the Covered Bonds Royal Decree).

## C. Statutory Tests - Cover Tests

- 4.6 In accordance with Article 2, §2 Annex to 3 the Credit Institutions Supervision Law, the Cover Assets comprising the Special estate must, for the duration of the Belgian Covered Bonds, provide sufficient cover:
  - (a) for the payment of principal and interest on the Belgian Covered Bonds;
  - (b) for the obligations towards the other creditors of claims related to the Belgian Covered Bonds issuance; and
  - (c) for the management of the Special Estate.

To this end the value of the Cover Assets need to show an excess compared to the principal amount outstanding of the Belgian Covered Bonds. The cover provided by the Cover Assets and the excess needs to be tested periodically and, if required to provide adequate cover, the issuing credit institution needs to further modify the portfolio of Cover Assets. To this end, the issuing credit institution has the legal obligation to maintain an active collateral management policy. Accordingly, the composition of the Cover Assets included in the Special Estate is dynamic.

- 4.7 In respect of Belgian Pandbrieven, this rule has been further implemented in article 5 of the Covered Bonds Royal Decree which provides for:
  - a general requirement that, with respect to the Special Estate, the sum of interest, principal and all other revenues generated by the Cover Assets must be sufficient to cover the sum of all interest, principal and charges linked to the Belgian Pandbrieven (the Cover Asset Adequacy Test); and
  - (b) the following two specific tests in relation to the minimum cover to be provided by the Cover Assets. At the time of the issuance and as long as any Belgian Pandbrieven remain outstanding:
    - (i) the value of the Cover Assets that belong to one of the first three categories, determined in accordance with the valuation rules set out in the Covered Bonds Royal Decree, must represent at least 85% of the aggregate principal amount outstanding of the Belgian Pandbrieven then in issue (the 85% Asset Coverage Test);
    - (ii) the value of the Cover Assets, determined in accordance with the valuation rules set out in the Covered Bonds Royal Decree, must represent at least 105% of the aggregate principal amount outstanding of Belgian Pandbrieven then in issue (the Over-Collateralisation Test).

For the valuation rules, see below E. valuation of Cover Assets for the Cover Tests.

4.8 The Cover Asset Adequacy Test, the 85% Asset Coverage Test and the Over-Collateralisation Test are herein jointly referred to as the **Cover Tests**.

# D. Statutory Tests – Liquidity Test

- 4.9 In accordance with art. 13 Annex III to the Credit Institutions Supervision Law, the terms and conditions applicable to Belgian Covered Bonds need to include mechanics to ensure that the Belgian Covered Bonds are repaid within the contractually agreed term.
- 4.10 In respect of Belgian Pandbrieven, art. 7 of the Covered Bonds Royal Decree has implemented this rule by imposing that with respect to the Special Estate, the Cover Assets must, at any time, be able to generate sufficient liquidity or include enough liquid assets to enable the Issuer to make all unconditional payments on the Belgian Pandbrieven (including principal, interest and other costs) falling due during the following 6 months (the Liquidity Test). The NBB Covered Bonds Regulation further specifies the conditions to be satisfied in order for an asset to be considered a liquid asset.
- 4.11 In order to satisfy the Liquidity Test, the issuing credit institution may enter into a liquidity facility with another EEA credit institution that, in accordance with article 120 of the CRR, falls within credit quality category 1 and that is not part of the consolidation circle of the group to which the issuing credit institution belongs.
- 4.12 In relation to the Mortgage Pandbrieven issued under the Programme, if an Extended Maturity Date is specified in the applicable Final Terms for a Series of Mortgage Pandbrieven, payments of amounts due on the Maturity Date will not be considered as unconditional for the purpose of the Liquidity Test.

## E. Valuation of Cover Assets for the Cover Tests

- 4.13 For the purposes of the Cover Tests, art. 6 of the Cover Bonds Royal Decree specifies further valuation rules for the Cover Assets in the Special Estate:
  - (a) for Cover Assets of category 1 (claims secured by a residential mortgage), the value will be equal to the lowest of (i) the amount of the claim, (ii) 80% of the sales value of the mortgaged real estate and (iii) the value of the mortgage,

whereby, the value of the mortgage, is determined as follows:

- (i) if the real estate is located in Belgium and is not secured by mortgage mandate, the amount of the mortgage registered in first rank *plus*, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s));
- (ii) if the real estate is located in Belgium and in addition to the mortgage, also a mortgage mandate has been granted to secure the claim, the value of the mortgage is the lowest of the following two amounts:
  - (1) the amount of the mortgage registered in first rank *plus*, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s)) *plus* the amount for which the mortgage mandate has been granted; and
  - (2) the amount of the mortgage registered in first rank plus, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s)) divided by 0.6.
- (iii) if the real estate is not situated in Belgium, the amount of the mortgage registered in first rank *plus*, as the case may be, the amount of any

subsequent ranks (provided no other creditors have registered before such subsequent rank(s)).

Residential real estate may only be taken into account for the valuation calculations of the Cover Assets if the requirements of article 208 and the valuation rules of article 229.1 of the CRR are satisfied. This does however not prevent to take into account the value of mortgage mandates as set out above. The valuation of residential real estate is subject to periodic review.

(b) for Cover Assets of category 2 (claims secured by commercial mortgages), the value will be equal to the lowest of (i) the amount of the claim, (ii) 60% of the sales value of the mortgaged real estate and (iii) the value of the mortgage, whereby, the value of the mortgage is equal to the amount of the mortgage registered in first rank plus, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s)). The value of any mortgage mandates is not taken into account.

Commercial real estate may only be taken into account for the valuation calculations of the Cover Assets if the requirements of article 208 of the CRR and the valuation rules of article 229.1 of the CRR are satisfied. The valuation of commercial real estate is subject to periodic review.

- (c) for Cover Assets of category 3 (public sector claims), the value is equal to the amount of such assets as reflected in the financial accounts of the issuing credit institution. If the assets is only guaranteed or insured by an entity as described in category 3, the value of the Cover Asset will be limited to the guaranteed or insured part. Furthermore, in case the relevant entity is not a member of the European Union, the value of the claim is zero, unless:
  - (i) such entity falls under credit quality category 1 as referred to in article 116 of the CRR, or
  - (ii) such entity falls under credit quality category 2 as set out in the CRR and the claims do not represent more than 20% of the amount of the relevant Belgian Pandbrieven.
- (d) the Cover Assets of category 4 are not taken into account for the 85% Asset Coverage Test. They may not be taken into account for the Over-Collateralisation Test either, unless:
  - (i) they fall within credit quality category 1 as referred to in article 120 of the CRR and, to the extent these assets take the form of deposits, their maturity date falls not later than 12 months following the date of registration in the Cover Register, or
  - (ii) they fall within credit quality step 2 as referred to in article 120 of the CRR and their maturity date falls not later than 100 days following the date of registration in the Cover Register.

The value of these Cover Assets is equal to the amount of such assets as reflected in the financial accounts of the issuing credit institution.

(e) the Cover Assets of category 5 are not taken into account for the calculation of the Cover Tests.

- (f) the Cover Assets for which there is a payment default, the value is equal to zero. As soon as an asset is more than 30 days in arrears, it can only be taken into account for 50% of its value as determined in accordance with the above valuation rules.
- (g) in case a mortgage secures multiple claims and not all claims are included in the Special Estate, the value of the mortgage and of the real estate are allocated to the Cover Assets in the Special Estate based on the priority rules that can be established in the terms and conditions of the Belgian Pandbrieven.
- 4.14 In the event an asset included in the Special Estate (or collateral securing such asset) is governed by foreign law, such asset will only be taken into account for compliance with the Statutory Tests if such foreign law does not prevent that such assets will provide an exclusive right of recourse to the holders of the Belgian Pandbrieven (or the other creditors of claims related to the Belgian Covered Bonds issuance) (art. 3, §7 of the Covered Bonds Royal Decree).

# 5. SPECIAL OBLIGATIONS OF THE ISSUER IN RESPECT OF ADMINISTRATION OF THE BELGIAN COVERED BONDS

- 5.1 In accordance with art. 15, §1 Annex III to the Credit Institutions Supervision Law, a credit institution that has issued Belgian Covered Bonds has the following special obligations in terms of follow-up and administration of the Belgian Covered Bonds:
  - (a) in relation to each Special Estate, it needs to organise a special administration for the relevant Belgian Covered Bonds and the Cover Assets. This special administration entails, amongst others, the obligation to keep a register for each issue of Belgian Covered Bonds or, as the case may be, for all issues under an issuance programme in which all Cover Assets are registered (the Cover Register).

In accordance with art. 9 of the Covered Bonds Royal Decree, the Cover Register includes at least information in respect of (i) the characteristics (nominal amount, maturity, interest rate) of the Belgian Covered Bonds, (ii) the characteristic of the Cover Assets (category, type of contract, currency, issuance and maturity date of the asset, identification of the counterparty, information on amortization, interest rate, guarantees and valuation).

The issuing credit institution shall as soon as possible (and at least on a daily basis) register any transaction in respect of the Cover Assets in the Cover Register and shall as soon as possible update any characteristics in respect of the Cover Assets in the Cover Register. The segregation of an asset as a Cover Asset is valid and effective against third parties upon its registration in the Cover Register. Once an asset is deleted from the Cover Register, it is no longer part of the Special Estate. Only authorised staff is entitled to update the Cover Register. The issuing credit institutions needs to take safety measures to prevent that the Cover Register is changed by unauthorised persons, damaged or destroyed. An up-to-date back-up shall be made on a monthly basis and be kept for 5 years at another location than the original Cover Register. All information in the Cover Register needs to be verifiable by the Cover Pool Monitor.

- (b) it needs to comply with reporting obligations specified by the Supervisor in accordance with the NBB Covered Bonds Regulations. These regulations provide for quarterly reporting on the Cover Assets and their valuation, yield and maturity, the results of the Liquidity Tests and the hedging of currency and interest rate risk;
- (c) it needs to cooperate with its auditor, any Cover Pool Administrator and the Cover Pool Monitor in order to allow such parties to complete their tasks as set out in the

- Belgian Covered Bonds Regulations, the terms and conditions of the Belgian Covered Bonds and the contractual agreements;
- (d) it needs to provide evidence to the Supervisor, periodically, that the Belgian Covered Bonds still comply with the Belgian Covered Bond Regulations, by providing a report on the special administration, the Cover Assets and their valuation, and the Liquidity Test;
- (e) it needs to provide evidence to the Supervisor that the Belgian Covered Bonds still comply with the requirement to obtain the Specific Authorisation, each time a significant change occurs in relation to the Belgian Covered Bonds, the issuance programme or the related legal documentation;
- (f) it needs to take measures to reduce interest rate and currency risk. To this effect, the issuing credit institutions must establish a risk policy in order to ensure that in the event of brutal interest rate or currency exchange rate movements (as further specified in art. 8 of the NBB Cover Bonds Regulations), the liquidity flows generated by the Cover Assets are sufficient to satisfy the Cover Tests and the Liquidity Test, or sufficient other liquid assets are available.

### 6. SPECIFIC SUPERVISION

### A. Cover Pool Monitor

- As soon as Belgian Covered Bonds are issued, the issuing credit institution has to appoint, following the advice of the Supervisor, a cover pool monitor (portefeuillesurveillant/surveillant de portefeuille) (the Cover Pool Monitor) for each issuance of, or for an issuance programme of, Belgian Covered Bonds (art. 16, §1 Annex III to the Credit Institutions Supervision Law and art. 11 of the Covered Bonds Royal Decree).
- 6.2 The Cover Pool Monitor will report on the compliance of the issuing credit institution with the Belgian Covered Bond Regulations:
  - (a) prior to an issuance of Belgian Covered Bonds, the Cover Pool Monitor reports to the NBB as Supervisor as to whether the credit institution is able to comply with the qualitative requirements of the Cover Assets, the limitations in respect of the Cover Assets, the level of cover and the available liquidity, and the requirements in respect of correct registration in the Cover Register;
  - (b) following the issuance of Belgian Covered Bonds, these verifications are performed on an annual basis:
  - (c) the compliance with the Cover Tests, the Liquidity Test and the registration in the Cover Register are however verified on a monthly basis.
- Once a year, the Cover Pool Monitor reports to the NBB as Supervisor on the results of its activities. As soon as the Cover Pool Monitor finds that the credit institution does not longer comply with the above requirements or the other requirements under the Belgian Cover Bond Regulations, it will immediately inform the NBB as Supervisor and the credit institution. The content and format of its reports are further set out in the NBB Cover Pool Monitor Regulations.
- 6.4 The NBB as Supervisor can also request that the cover pool monitor performs other tasks and verifications.

- 6.5 The Cover Pool Monitor needs to be a recognized auditor of credit institutions other than the actual auditor of the issuing credit institution. Prior to terminating the appointment of the Cover Pool Monitor, the credit institution needs to obtain the advice of the NBB as Supervisor. In case the Cover Pool Monitor wants to resign, it will first need to inform the NBB as Supervisor.
- 6.6 The fees and cost of the cover pool monitor must be borne by the issuing credit institution.
- 6.7 Deloitte Bedrijfsrevisoren BCBVA has been appointed as Cover Pool Monitor in relation to the Special Estate pursuant to article 11 Annex III to the Credit Institutions Supervision Law by the Issuer pursuant to the Cover Pool Monitor Appointment Agreement. The appointment of Deloitte Bedrijfsrevisoren BCBVA as Cover Pool Monitor was approved by the NBB, as Supervisor, on 15 October 2013.

# B. Supervisor

- The NBB, or as from the date of the actual transfer of competence to the ECB in view of the establishment of the Single Supervision Mecanism (SSM), the ECB, is the competent Supervisor in respect of Belgian Covered Bonds in accordance with the SSM-Regulation. In case the Supervisor becomes aware that a specific category of debt instruments does no longer comply with the Belgian Covered Bonds Regulations or if the issuer does not longer comply with its specific obligations as issuer, the Supervisor will grant a remedy period. If the situation is not remedied within the remedy period, the Supervisor may revoke the General Authorisation and delete the issuer from the relevant list of credit institutions authorised to issue Belgian Covered Bonds. In extremely urgent situations, the Supervisor may proceed with a deregistration without remedy period.
- 6.9 A deregistration will be notified by the Supervisor to the European Commission. As a result of this deregistration, the issuer will no longer be entitled to issue Belgian Cover Bonds. In case it wishes to issue new Belgian Covered Bonds, the Issuer will again have to comply with all requirements in order to be registered. A deregistration does not affect the holders of outstanding Belgian Covered Bonds.
- 6.10 The Supervisor can also publish warnings/statements indicating that a credit institution has failed to comply with the Supervisor's requests to meet the requirements of the Belgian Covered Bond Regulations within a specified grace period. In addition, as part of its general supervisory function under the Credit Institutions Supervision Law, the Supervisor can after hearing or inviting the issuing credit institution for a hearing impose a fine of maximum EUR 2,500,000 per breach or EUR 50,000 per day of non-compliance.
- 6.11 The Supervisor has the power to impose administrative penalties on issuing credit institutions. Such administrative penalties may range from EUR 2,500 to EUR 2,500,000.

### 7. OTHER PARTIES

### A. Cover Pool Administrator

- 7.1 Under certain circumstances, the Supervisor may or will appoint a Cover Pool Administrator to take over management of the Special Estate (see above 3.C Management of the Special Estate).
- 7.2 The required qualifications and powers of a Cover Pool Administrator are further specified in the Cover Pool Administrator Royal Decree.

- 7.3 The Cover Pool Administrator may not be the same entity as the liquidator of the issuing credit institution. Before the appointment of a party as Cover Pool Administrator, the Supervisor will assess whether such party has the required expertise and appropriate experience in order to manage the Cover Assets comprised in the Special Estate, is professionally reliable and has an appropriate organisation for the activities that it will have to perform as Cover Pool Administrator. An EEA credit institution that (i) has issued covered bonds relating to similar cover assets, or (ii) manages portfolios of assets that would qualify as Cover Assets, is deemed to satisfy the requirements of the Cover Pool Administrator Royal Decree (art. 3).
- 7.4 In order to comply with the obligations set out in the terms and conditions of the Belgian Cover Bonds, the Cover Pool Administrator has, *inter alia*, the power to take the following actions:
  - (a) to make interest and principal payments in respect of the Belgian Covered Bonds deriving from Collections received or, as the case may be, available liquidity lines;
  - (b) to organise the receipt of Collections (including the enforcement of payments in arrears due on Cover Assets);
  - (c) to sell Cover Assets;
  - (d) to invest Collections until these are paid out (in assets that would be eligible as Cover Assets);
  - (e) to renegotiate the terms of Cover Assets in arrears;
  - (f) to enter into hedging instruments;
  - (g) to enter into liquidity lines to ensure compliance with the contractual terms of the relevant Belgian Covered Bonds; and
  - (h) to perform administrative task of the issuing credit institutions in relation to the issued Belgian Covered Bonds.
- 7.5 The Cover Pool Administrator will perform the Statutory Test, report on such tests to the Supervisor and the representative of the holders of the Belgian Covered Bonds on a quarterly basis and ensure the reporting as prescribed by the Covered Bonds Royal Decree and the NBB Covered Bonds Regulations.
- 7.6 For each transaction (in particular a sale of Cover Assets) that entails the risk that the Statutory Tests or the conditions of the Belgian Covered Bonds will no longer be complied with, the Cover Pool Administrator needs to obtain the approval of the Supervisor and the Representative of the Bondholder.

# B. Representative of the holder of the Belgian Covered Bonds

- 7.7 For the holders of Belgian Covered Bonds of a specific issue or of the same issuance programme, one or more representatives can be appointed *either* by the issuing credit institution prior to the issuance of the Belgian Covered Bonds *or* by the general meeting of bondholders after the issuance (art 14, §2 Annex III to the Credit Institutions Supervision Law).
- 7.8 The powers of the representative of the holders of the Belgian Covered Bonds are determined *either* in the terms and conditions of the Belgian Covered Bonds *or* by the general meeting of bondholders. The general meeting of bondholders may at all times revoke the appointment of

- such Representative of the Bondholders provided at the same time one or more substitute representative are appointed.
- 7.9 The representative of the holders of the Belgian Covered Bonds may also represent other creditors of claims related to the Belgian Covered Bonds issuance provided it is mandated by such creditors.
- 7.10 Stichting ING Belgium Mortgage Pandbrieven Holders' Representative has been appointed by the Issuer as representative of the Pandbrieven Holders in relation to the Programme pursuant to Article art 14, §2 Annex III to the Credit Institutions Supervision Law by the Issuer in accordance with the terms of the Mortgage Pandbrieven Holders' Representative Appointment Agreement. The tasks and duties of Stichting ING Mortgage Pandbrieven Noteholders' Representative as representative of the Pandbrieven Holders (the Mortgage Pandbrieven Holders' Representative) are further described in the Belgian Covered Bond Regulations, the Conditions and the Mortgage Pandbrieven Holder Representative Agreement.

#### 8. MOBILISATION LAW

- 8.1 In accordance with the provisions of the Covered Bonds Law and the Covered Bonds Royal Decree, Cover Assets that are registered into the Cover Register will form part of the Special Estate providing an exclusive recourse to the holders of Belgian Covered Bonds and the other creditors of claims related to the Belgian Covered Bonds issuance. The Mobilisation Law that was adopted on the same date as the Covered Bond Law provides for certain additional protections in respect of the segregation of Cover Assets in the Special Estate. These include, inter alia, the following:
  - (a) the registration of Cover Assets in a Cover Register is valid and effective in case the registration:
    - (i) precedes the start of insolvency proceedings, an attachment or a situation of concurrence of creditors, or
    - (ii) occurs on the date of the opening of such proceedings, provided that the credit institution was rightfully ignorant (*gewettigde onwetendheid/ignorance légitime*) of the start of such proceedings.

In such case, the registration cannot be challenged on the basis of claw-back rules set out in the Belgian Bankruptcy Code of 8 August 1997, unless in the event of fraud (art. 8, §2 of the Mobilisation Law);

- (b) the debtor of a bank claim that is registered as a Cover Asset in the Cover Register, will, subject to some limited exceptions, no longer be entitled to invoke set-off rights (legal and contractual) or suspend payments on the basis of an exception of non-performance in respect of such claim, following a notification of the registration of such claim in the Cover Register or following the start of insolvency proceedings against the issuing credit institutions, if the conditions for set-off or the exception of non-performance (including the requirement that the claims to be set-off or on the basis of which the defense is invoked, are payable) are only satisfied following such notification or start of the insolvency proceedings (art. 6, §§2 to 5 of the Mobilisation Law);
- (c) in the event a claim, secured by a mortgage that is an All Sums Mortgage, is registered into a Special Estate, then such claim will in respect of such mortgage be paid (i) in priority to all other claims secured by the same mortgage that came into

existence after the date of this registration and (ii) *pari passu* and *pro rata* with the other claims that existed on the date of registration, unless otherwise agreed between the Special Estate and the General Estate, pursuant to article 81quinquies of the Law of 16 December 1851 on mortgage (the **Mortgage Act**) as introduced by article 13 of the Mobilisation Law;

(d) a Mortgage Mandate is, by operation of law, deemed to be granted for the benefit of any transferee of the secured claim and is transferred automatically together with the secured claim (including in case of a registration into a Special Estate).

### DESCRIPTION OF PRINCIPAL DOCUMENTS

## 1 Introduction

- 1.1 The Issuer may from time to time issue Mortgage Pandbrieven under the Programme. The aggregate principal amount of outstanding Mortgage Pandbrieven in Euro (or its equivalent in any other relevant Specified Currency) shall not at any time exceed EUR 10,000,000,000. All Mortgage Pandbrieven issued under the Programme and the Other Cover Pool Creditors will benefit from (i) a right of recourse against the General Estate of the Issuer and (ii) an exclusive right of recourse against the Special Estate of the Issuer established in respect of the Programme. All Mortgage Pandbrieven outstanding from time to time shall be included in a list which can be consulted on the website of the Supervisor, which at the date of this Base Prospectus, is at <a href="https://www.nbb.be">www.nbb.be</a> (Prudential Supervision Areas of Responsibility Credit Institutions Lists Current Issues of Belgian covered bonds).
- 1.2 Under the Programme, the Issuer may issue Mortgage Pandbrieven subject to the Conditions (and applicable Final Terms) set out in this Base Prospectus, but may also from time to time issue Mortgage Pandbrieven subject to terms not contemplated by this Base Prospectus.
- 1.3 The Mortgage Pandbrieven will be issued pursuant to the terms of the Programme Agreement (together with each Subscription Agreement, if applicable) and the Pandbrieven Holders will be represented by the Mortgage Pandbrieven Holders' Representative pursuant to the Mortgage Pandbrieven Holder Representative Agreement which has the powers and rights conferred on it by the applicable Conditions and the Mortgage Pandbrieven Holder Representative Agreement. The Mortgage Pandbrieven also have the benefit of an Agency Agreement, pursuant to which the Fiscal Agent, other Paying Agents, Listing Agent, Registrar (if applicable) and (together with the Calculation Agency Agreement, if applicable) the Calculation Agent shall be appointed. The Mortgage Pandbrieven have the benefit of the Special Estate Administration Agreement.
- 1.4 Furthermore, the Issuer has entered into a Cover Pool Monitor Agreement to appoint a Cover Pool Monitor in accordance with the Belgian Covered Bond Regulations, and has entered into a Clearing Services Agreement with the NBB in relation to the Mortgage Pandbrieven represented by a book-entry in the records of the Securities Settlement System.
- 1.5 The Programme Agreement, the Mortgage Pandbrieven Holder Representative Agreement, the Agency Agreement, the Cover Pool Monitor Agreement, the Clearing Services Agreement, the Special Estate Administration Agreement, any Calculation Agency Agreement, any Subscription Agreement, each of the Final Terms, any Hedging Agreement, any Liquidity Facility Agreement and any additional document entered into in respect of the Mortgage Pandbrieven and/or the Special Estate and designated as a Programme Document by the Issuer and the Mortgage Pandbrieven Holders' Representative (as the same may be amended, supplemented, replaced and/or restated from time to time) are together referred to as the Programme Documents (the **Programme Documents**).
- 1.6 Pursuant to the terms of the Programme Documents, the Issuer is entitled to vary, approve or terminate the appointment of any agent or party thereto and/or appoint any additional or substitute agent or party in relation to the issue of any Mortgage Pandbrieven. The Issuer may also enter into any other agreement or document as it may from time to time deem necessary or appropriate in relation to the Programme or issuance of any Mortgage Pandbrieven. Each of the Programme Documents shall further contain specific provisions for the amendment, supplement, replacement and/or restatement of such agreement and a reference to any Programme Document shall be deemed a reference to such agreement as the same may from time be time be amended, supplemented, replaced and/or restated.

# 2 Programme Agreement

2.1 The Issuer, Arranger and the Dealers entered into the Programme Agreement initially dated 23 November 2013 (as amended and/or restated from time to time). The Programme Agreement

includes the arrangements under which Mortgage Pandbrieven may from time to time be agreed to be issued by the Issuer to, and subscribed by, the Dealers. The Programme Agreement, *inter alia*, makes provision for the form and terms and conditions of the relevant Mortgage Pandbrieven, the price at which such Mortgage Pandbrieven will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription.

2.2 The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Mortgage Pandbrieven.

# 3 Mortgage Pandbrieven Holder Representative Agreement

### 3.1 Introduction

- (a) Pursuant to the terms of the Mortgage Pandbrieven Holder Representative Agreement concluded on or around the date of this Base Prospectus, Stichting ING Belgium Mortgage Pandbrieven Holders' Representative has been appointed as the Mortgage Pandbrieven Holders' Representative of the Pandbrieven Holders (the Mortgage Pandbrieven Holders' Representative).
- (b) The Mortgage Pandbrieven Holders' Representative has been appointed by the Issuer as representative of the Pandbrieven Holders in accordance with Article 14, §2 Annex III to the Credit Institutions Supervision Law upon the terms and conditions set out in the Mortgage Pandbrieven Holder Representative Agreement and the section "Meeting Rules of the Pandbrieven Holders" of this Base Prospectus.
- (c) The Mortgage Pandbrieven Holders' Representative can also be appointed to represent Other Cover Pool Creditors provided that those Other Cover Pool Creditors agree with such representation.

# 3.2 Powers, authorities and duties

The powers, authorities and duties of the Mortgage Pandbrieven Holders' Representative are specified under Part 2 "Mortgage Pandbrieven Holders' Representative" of the section "Meeting Rules of the Pandbrieven Holders" of this Base Prospectus.

# 3.3 Retirement and removal

The provisions for the retirement or removal of the Mortgage Pandbrieven Holders' Representative are set out in Part 2 "Mortgage Pandbrieven Holders' Representative" of the section "Meeting Rules of the Pandbrieven Holders" of this Base Prospectus.

# 3.4 Liability, exoneration and indemnity of the Mortgage Pandbrieven Holders' Representative

See Part 2 "Mortgage Pandbrieven Holders' Representative" of the section "Meeting Rules of the Pandbrieven Holders" of this Base Prospectus for a summary of the provisions relating to the liability, relief from liability and entitlement to indemnity of the Mortgage Pandbrieven Holders' Representative.

### 3.5 Amendments

(a) The Mortgage Pandbrieven Holders' Representative may upon the request of the Issuer on behalf of the Pandbrieven Holders and without the consent or sanction of any of the Pandbrieven Holders of any Series or the Other Cover Pool Creditors it represents at any time and from time to time, concur with the Issuer or any other person in making:

- (i) any modification (other than in respect of a Basic Term Change) of the terms and conditions applying to the Mortgage Pandbrieven of one or more Series (including the Conditions) or any Programme Document provided that in the sole opinion of the Mortgage Pandbrieven Holders' Representative such modification is not materially prejudicial to the interests of any of the Pandbrieven Holders of such Series; or
- (ii) any modification of the terms and conditions applying to Mortgage Pandbrieven of any one or more Series (including the Conditions) or any Programme Document which is in the sole opinion of the Mortgage Pandbrieven Holders' Representative of a formal, minor or technical nature or is to correct a manifest error or to comply with the mandatory statutory provisions or would cause such Mortgage Pandbrieven or such Programme Documents to better reflect or comply with the provisions and requirements of the Belgian Covered Bonds Regulations;.
- (b) Any such modification shall be binding on the Pandbrieven Holders.
- (c) In no event may such modification be a Basic Term Change. Reference is made to section "Meeting Rules of the Pandbrieven Holders" of this Base Prospectus for further details in this respect.

### 3.6 Waivers

The Mortgage Pandbrieven Holders' Representative may in its sole discretion, without the consent of the Pandbrieven Holders and without prejudice to its rights in respect of any further or other breach, condition, event or act from time to time and at any time, but only if and in so far as in its opinion the interests of the Pandbrieven Holders will not be materially prejudiced thereby, (i) authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Mortgage Pandbrieven Holder Representative Agreement, the Mortgage Pandbrieven or any of the Programme Documents, or (ii) determine that any breach shall not be, or shall not be subject to specified conditions, treated as such. Any such authorisation, waiver or determination pursuant to this clause shall be binding on the Pandbrieven Holders and notice thereof shall be given by the Issuer (or the Cover Pool Administrator, as applicable) to the Pandbrieven Holders and the Rating Agencies.

#### 3.7 Conflicts of interest

- (a) In exercising any of the powers, authorities and discretions vested in it, the Mortgage Pandbrieven Holders' Representative shall have regard to the overall interests of the Pandbrieven Holders of all Series taken together and of the Other Cover Pool Creditors that have agreed to be represented by the Mortgage Pandbrieven Holders' Representative. The Mortgage Pandbrieven Holders' Representative shall not be obliged to have regard to any interests arising from circumstances particular to individual Pandbrieven Holders or such Other Cover Pool Creditors.
- (b) The Mortgage Pandbrieven Holders' Representative shall, as regards the powers, authorities and discretions vested in it, except where expressly provided otherwise, have regard to the interests of both the Pandbrieven Holders of all Series and the Other Cover Pool Creditors that have agreed to be represented by the Mortgage Pandbrieven Holders' Representative but, if, in the opinion of the Mortgage Pandbrieven Holders' Representative, there is a conflict between the interests the Pandbrieven Holders and those Other Cover Pool Creditors, the Mortgage Pandbrieven Holders' Representative will have regard solely to the interest of the Pandbrieven Holders, but, for the avoidance of doubt, without prejudice to the applicable priority of payments.

# 4 Agency Agreement

4.1 Under the Agency Agreement initially entered into on 23 November 2013 (as amended and/or restated), the Fiscal Agent and the Paying Agent have undertaken to ensure the payment of the

- sums due on the Mortgage Pandbrieven and perform all other obligations and duties imposed on it by the Conditions and the Agency Agreement.
- 4.2 In addition, the Fiscal Agent will perform the tasks described in the Clearing Services Agreement dated on 22 November 2013, which comprise *inter alia* providing the NBB as operator the Securities Settlement System with information relating to the issue of the Mortgage Pandbrieven, the Base Prospectus and other documents required by law.
- 4.3 The Listing Agent will cause an application to be made to Euronext Brussels for the admission to trading of the Mortgage Pandbrieven.
- 4.4 The Registrar maintains a register for the Registration of Registered Mortgage Pandbrieven which shall show the principal amount of Registered Mortgage Pandbrieven (as well as their date of issue and the Special Estate relating to such Registered Mortgage Pandbrief). The Register is available for inspecting by the Issuer, Fiscal Agent or any person authorised by any of them. The Registrar will cancel any redeemed Mortgage Pandbrieven.
- 4.5 The Issuer shall pay or procure the payment of such commissions in respect of the services of the Fiscal Agent, the Paying Agents and the Listing Agent under the Agency Agreement as shall be agreed between the Issuer and the Fiscal Agent. The Issuer shall not be concerned with the apportionment of payment among the Agents.
- 4.6 The Issuer and each Agent may at any time, subject to prior written notice, terminate the appointment of a relevant Agent under the Agency Agreement. In addition, in certain events, the Issuer may terminate the appointment of an Agent forthwith. The termination of the appointment of an Agent (whether by the Issuer or by the resignation of the Agent) shall not be effective unless upon the expiry of the relevant notice there is:
  - (a) a Fiscal Agent and a Principal Paying Agent (which may be the same entity) that will at all times be a participant in the Securities Settlement System;
  - (b) so long as the Mortgage Pandbrieven are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent (which may be the Fiscal Agent) that has its specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority (which, so long as the Mortgage Pandbrieven are listed on Euronext Brussels, shall be Brussels);
  - (c) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended, supplemented and/or replaced from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directives or pursuant to FATCA;
  - (d) so long as there are Registered Mortgage Pandbrieven, a Registrar (which may be the Issuer itself); and
  - (e) in the case of Floating Rate Mortgage Pandbrieven, a Calculation Agent (which may be the Issuer itself).
- 4.7 The Agency Agreement provides for the appointment from time to time of a Calculation Agent to determine the interest rate in relation to any Floating Rate Mortgage Pandbrieven. Such Calculation Agent may be appointed pursuant to a Calculation Agency Agreement which supplements the arrangements in the Agency Agreement.

# 5 Cover Pool Monitor Agreement

### 5.1 Introduction

- (a) Pursuant to the terms of the Cover Pool Monitor Agreement initially entered into on 23 November 2013 (as amended and/or restated), Deloitte Bedrijfsrevisoren BCVBA has been appointed as cover pool monitor pursuant to 16, §1 Annex III to the Credit Institutions Supervision Law. The appointment of Deloitte Bedrijfsrevisoren BCVBA as Cover Pool Monitor was approved by the NBB, as Supervisor, on 15 October 2013.
- (b) Deloitte Bedrijfsrevisoren BCVBA is a recognized auditor (*revisorl réviseur*) other than the statutory auditor of the Issuer (art. 11 §3 of the Covered Bonds Royal Decree). During the term of the appointment of Cover Pool Monitor, Deloitte Bedrijfsrevisoren BCVBA shall not act as statutory auditor of the Issuer.

# 5.2 Tests and Reporting

- (a) The Cover Pool Monitor has agreed to perform the tasks and services entrusted to a cover pool monitor under the Belgian Covered Bond Regulations in relation to the Issuer as issuer of Belgian covered bonds and the Special Estate. These tasks include, inter alia:
  - (i) the issue of periodic reports to the NBB as Supervisor on compliance by the Issuer with the legal and regulatory framework in relation to Belgian covered bonds, including (among other things) the qualitative requirements in relation to the cover assets, the requirements for the cover register and the Statutory Tests; and
  - (ii) such other tasks and verifications as may be requested by the NBB as Supervisor.
- (b) Prior to the first issuance of Mortgage Pandbrieven, the Cover Pool Monitor among other things:
  - (i) verified that all requirements applicable to the Cover Assets were fulfilled;
  - (ii) became familiar with the Issuer's assessment of its organisational capacity to issue Mortgage Pandbrieven, including the Issuer's risk management policies to mitigate interest rate and currency exchange risks and report its findings to the Supervisor; and
  - (iii) performed the procedures set out in the annex to the NBB Cover Pool Monitor Regulation and such other procedures as it deems necessary to assess the Issuer's organisational suitability.
- (c) Following the issuance of Mortgage Pandbrieven, the Cover Pool Monitor will among other things:
  - (i) verify at least once a year whether all requirements applicable to the Cover Assets are fulfilled;
  - (ii) verify at least once a month whether the Statutory Tests and the requirements in relation to the Cover Register are met; and
  - (iii) verify at least once a year that the Special Estate does not include commercial mortgage loans (whereby such verification is performed by the Cover Pool Monitor on a statistically significant sample randomly selected loans included as Cover Assets in the Special Estate; the size of the sample has been determined on the basis of a confidence level of 95% and an accepted error rate of 1%) and verify at least once a month that the Special Estate does not include residential mortgage

backed securities, commercial mortgage backed securities or any other asset backed securities.

- (d) If the Issuer does not comply with such requirements (other than as set out in (c)(iii)), the Cover Pool Monitor must immediately inform the NBB as Supervisor and the Issuer.
- (e) The Cover Pool Monitor shall perform its tasks in accordance with the provisions of the Belgian Covered Bond Regulations and in particular the NBB Cover Pool Monitor Regulation.

## 5.3 Termination of appointment

- (a) The Issuer may terminate the appointment of the Cover Pool Monitor on 30 days' prior written notice provided that it has the prior consent of the NBB as Supervisor.
- The Cover Pool Monitor has agreed to provide its services under the Cover Pool (b) Monitor Agreement during an initial period expiring on 31 December 2018 (the Initial Term), which will thereafter be tacitly renewed for an additional one calendar year period (each a Renewal Period) provided that the Cover Pool Monitor may resign from its appointment under the Cover Pool Monitor Agreement upon providing the Issuer, the Mortgage Pandbrieven Holders' Representative and the NBB as Supervisor with at least 3 calendar months' prior written notice before the end or the Initial Term or the end of the additional Renewal Period. Notwithstanding the foregoing, the Cover Pool Monitor may with the prior consent of the NBB as Supervisor resign from its appointment immediately by giving written notice to the Issuer and the NBB as Supervisor in the event a professional conflict of interest for the Cover Pool Monitor is caused by an action of the Issuer (or its shareholders) or the Mortgage Pandbrieven Holders' Representative or in the event the performance of its services would become illegal following a change of law. The Cover Pool Monitor is required to resign if it becomes the statutory auditor of the Issuer or otherwise becomes ineligible to act as a Cover Pool Monitor pursuant to the Belgian Covered Bond Regulations.
- (c) Upon the Cover Pool Monitor giving written notice of resignation, the Issuer shall immediately use all reasonable endeavours to appoint a replacement (such replacement to be approved by the NBB as Supervisor which agrees to perform the duties of the Cover Pool Monitor set out in the Belgian Covered Bond Regulations and in the Cover Pool Monitor Agreement.)

### 5.4 Costs

Pursuant to the terms of the Cover Pool Monitor Appointment Agreement, the fees and cost of the Cover Pool Monitor will be borne by the Issuer.

# **6** Subscription Agreement

The Programme Agreement will be supplemented on or around the date of each issuance by a subscription agreement, which will set out, *inter alia*, the relevant underwriting commitments (such agreement, the **Subscription Agreement**).

# 7 Special Estate Administration Agreement

7.1 The Special Estate Administration Agreement initially entered into on 23 November 2013 (as amended and/or restated) provides that all Mortgage Pandbrieven issued under the Programme shall be subject to and have the benefit of certain common terms (the **Special Estate Administration Terms**) regardless of whether the Mortgage Pandbrieven are issued under the Base Prospectus or not. These Special Estate Administration Terms specify that all Pandbrieven Holders will be represented by the Mortgage Pandbrieven Holders' Representative and will benefit from recourse to the same Special Estate. Such recourse shall

only extend to the Pandbrieven Holders and the Other Cover Pool Creditors under the Programme.

- 7.2 The other Special Estate Administration Terms provided for in the Special Estate Administration Agreement are:
  - (a) the establishment and maintenance of the Cover Register in accordance with the requirements of the Belgian Covered Bond Regulations;
  - (b) compliance of the Special Estate with the Statutory Tests;
  - (c) the exclusion of commercial mortgage loans, Residential Mortgage Backed Securities, Commercial Mortgage Backed Securities and any other Asset Backed Securities from the Special Estate;
  - (d) the provision of the Investor Report;
  - (e) the events of default to apply to all Series of Mortgage Pandbrieven (which are the same as those set out in Condition 8.1 (*Events of Default*));
  - (f) the priorities of payment to apply following an Event of Default or an early repayment of the Mortgage Pandbrieven (which are the same as those set out in Condition 9 (*Priorities of Payment*));
  - (g) the types of assets which are to be used by the Issuer to comply with its revindication obligations should Cover Assets become commingled with the General Estate of the Issuer (which are the same as those set out in Condition 12.1 (*Criteria for the transfer of assets by the General Estate to the Special Estate*));
  - (h) the priority of application for recoveries from security which secures both Cover Assets (to which such recoveries shall first be applied until such Cover Assets have been satisfied in full) and assets forming part of the General Estate (which shall only receive such recoveries when the relevant Cover Assets have been repaid in full);
  - (i) that collateral provided under Hedging Agreements which are Cover Assets shall only be used for obligations in relation to the Special Estate and in accordance with the relevant Hedging Agreement; and
  - (j) the appointment and maintenance of the appointment of the Cover Pool Monitor.
- 7.3 The Special Estate Administration Agreement may only be amended by a Programme Resolution (as defined in the Mortgage Pandbrieven Holder Representative Agreement). However, the Special Estate Administration Agreement may be amended in writing between the Issuer, the Mortgage Pandbrieven Holders' Representative and the Cover Pool Monitor, without the agreement or consent of the Pandbrieven Holders if:
  - (a) the Mortgage Pandbrieven Holders' Representative is of the opinion that the amendment will not materially prejudice the interests of the Pandbrieven Holders; or
  - (b) the Mortgage Pandbrieven Holders' Representative is of the opinion that the amendment is of a formal, minor or technical nature; or
  - (c) the Mortgage Pandbrieven Holders' Representative is of the opinion that the amendment is to correct a manifest error or to comply with mandatory statutory provisions; or
  - (d) to better reflect the requirements and provisions of the Belgian Covered Bond Regulations.

Upon the Issuer's request, the Mortgage Pandbrieven Holders' Representative shall, without the 7.4 consent or sanction of any of the Pandbrieven Holders, concur with the Issuer in making any modifications to the Conditions, to the Meeting Rules or to the Special Estate Administration Terms (together with any requisite or consequential modifications to the Programme Documents) that the Issuer may decide in its discretion to request in order to comply with mandatory provisions of law or with any criteria of a Rating Agency which may be published after the signing of the initial agreement(s) for the issuance of and subscription for the Mortgage Pandbrieven and which the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing it reasonably believes are necessary to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Series of Mortgage Pandbrieven, provided that the Mortgage Pandbrieven Holders' Representative shall not be obliged to agree to any modifications which, in the sole opinion of the Mortgage Pandbrieven Holders' Representative, as applicable, would have effect of (i) exposing the Mortgage Pandbrieven Holders' Representative, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or (ii) increasing the obligations or duties, or decreasing the protections, of the Mortgage Pandbrieven Holders' Representative, as applicable in the Meeting Rules or the Conditions. For avoidance of doubt, such modification may include, without limitation, modifications which would allow any hedge counterparty and/or liquidity facility provider not to post collateral in circumstances where it previously would have been obliged to do so.

Notwithstanding the foregoing, upon the Issuer's request, the Mortgage Pandbrieven Holders' Representative shall, without the consent or sanction of any of the Pandbrieven Holders, concur with the Issuer in making any modifications to the Special Estate Administration Terms (together with any requisite or consequential modifications to the Programme Documents) that the Issuer may decide in its own discretion in relation to future issues of Mortgage Pandbrieven under the Programme provided that (a) such modifications will not affect the then current ratings assigned by a Rating Agency to any Series of Mortgage Pandbrieven issued under the Programme and (b) the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing that these modifications will not affect the rights of Mortgage Pandbrieven already issued under the Programme, provided that the Mortgage Pandbrieven Holders' Representative shall not be obliged to agree to any modification which, in the sole opinion of the Mortgage Pandbrieven Holders' Representative, as applicable, would have effect of (i) exposing the Mortgage Pandbrieven Holders' Representative, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or (ii) increasing the obligations or duties, or increasing the protections, of the Mortgage Pandbrieven Holders' Representative, as applicable in the Meeting Rules or the Conditions. For avoidance of doubt, such modification may include, without limitation, modifications which would allow any hedge counterparty and/or liquidity facility provider not to post collateral in circumstances where it previously would have been obliged to do so.

# 8 Clearing Services Agreement

Pursuant to the Clearing Services Agreement concluded on 22 November 2013, the NBB as operator of the Securities Settlement System will provide clearing services for the Issuer.

# 9 Hedging Agreements

- 9.1 The Issuer or, upon its appointment by the Supervisor, the Cover Pool Administrator may, from time to time during the Programme, enter into interest rate swap agreements, currency swap agreements and other relevant swap or hedging agreements (together the **Hedging Agreements**) with one or more hedging counterparties (the **Hedging Counterparties**) for the purpose of, *inter alia*, protecting itself against certain risks (including, but not limited to, interest rate, liquidity and credit) related to the Cover Assets and/or the Mortgage Pandbrieven.
- 9.2 The distribution or priority rules between the obligations towards Pandbrieven Holders and the Hedging Counterparties are determined in the Conditions. Reference is made to Condition 9 (*Priority of Payments*) in this respect.

# 10 Liquidity Facility Agreements

- The Issuer or, upon its appointment by the Supervisor, the Cover Pool Administrator may, from time to time during the Programme, enter into liquidity facility agreements (the **Liquidity Facility Agreements**) in relation to the Special Estate with one or more liquidity facility providers (the **Liquidity Facility Providers**) in order to improve the liquidity of the Special Estate.
- The distribution or priority rules between the obligations towards Pandbrieven Holders and the Liquidity Facility Providers are determined in the Conditions. Reference is made to Condition 9 (*Priority of Payments*) in this respect.

### COVER ASSETS

The Belgian Covered Bond Regulations identify five categories of assets that may be included as cover assets in a special estate in relation to an issuance of mortgage pandbrieven (see "Summary of the Belgian Covered Bond Regulations" – section "4.B. Further qualitative requirements for Cover Assets relating to Belgian Pandbrieven" above). In accordance with the undertakings included in the Conditions (see Condition 2.6) and the Programme Documents, the Issuer will further limit the types of assets that will be eligible as Cover Assets for the Special Estate as described below.

# 1 Eligible Assets - Types

The following types of assets may be included as Cover Assets in the Special Estate:

- (a) Residential Mortgage Loans (category 1): mortgage receivables secured by a mortgage on residential real estate located in the European Economic Area (EEA). With respect to residential mortgage loans, the Issuer must be the beneficiary of a first ranking mortgage. Mortgage receivables relating to residential real estate under construction or in development can only be included in the Special Estate if they do not represent more than 15% of all the residential mortgage loans included in the Special Estate.
  - Residential real estate is defined as real property that is destined for housing or for rent (*huur/location*) as housing by the owner.
- (b) Exposures to public sector entities (category 3): receivables on or guaranteed or insured by (i) central, regional or local authorities of EEA Member States that are member of the organisation for Economic Co-operation and Development (OECD), (ii) central banks of these member states, (iii) public sector entities of these member states or (iv) multilateral development banks or international organisations that qualify for a 0% risk weighing as set out in article 117.2 of the CRR, but excluding in each case, public sector asset backed securities (ABS).
- (c) Exposures to credit institutions (category 4): claims against credit institutions that have the status of credit institution under the law of a member state of the OECD and cash held on account with these credit institutions, as well as sums held by the issuing credit institution.
- (d) Hedging Agreements (category 5): positions resulting from one or more Hedging Agreements linked to one or more Cover Assets or Mortgage Pandbrieven concerned, as well as sums paid under these positions may also qualify as Cover Assets. The counterparty of these instruments must have the status of a credit institution under an OECD member state.

The Hedging Agreements may only cover interest rate risk, currency exchange risk or other risks linked to the Cover Assets or the Mortgage Pandbrieven.

The Hedging Agreements may only be included in the Special Estate if reorganisation measures or winding-up proceedings opened against the Issuer do not automatically result in the early termination (close-out) of these Hedging Agreements and if the Hedging Counterparty cannot invoke such procedures in order to claim the termination (close-out) of these Hedging Agreements. The Issuer institution may not include the derivatives in one of the novation or netting agreements to which it is a party.

The Issuer must be able to demonstrate that the default risk of the Hedging Counterparty is limited. This can be established if the counterparty qualifies for:

(i) Credit quality step 1 or 2 according to Article 120 CRR for Belgian covered bonds that qualify for credit quality step 1; or

(ii) Credit quality steps 1, 2 or 3 according to Article 120 CRR for Belgian covered bonds that qualify for credit quality step 2 or lower.

Hedging Agreements registered in the cover register are part of the special estate.

When the counterparty is a group-related entity of the Issuer, it must have the status of credit institution in an EEA Member State and must benefit from the credit quality step 1 (as defined in article 120 of the CRR). Moreover, the net risk positions arising from these hedging instruments towards these counterparties have to be covered by financial instruments or values as contemplated in Article 197 CRR.

Amounts paid as reimbursement, collection or payment of interest on claims or assets included in the Special Estate as part of the relevant categories, may be taken into account as Cover Assets that are a part of their respective category.

In accordance with the undertaking of the Issuer included in Condition 2.6, none of the Cover Assets may comprise Residential Mortgage Backed Securities (**RMBS**), commercial mortgage loans or Commercial Mortgage Backed Securities (**CMBS**) or any other ABS.

We refer to the Summary of the Belgian Covered Bond Regulations for a description of the valuation criteria and the Statutory Tests.

# 2 Main category of Cover Asset – Residential Mortgage Loans

The Special Estate may be composed of assets of each of the following categories (residential mortgage loans (but excluding Residential Mortgage Backed Securities (RMBS)) (category 1), public exposures (but excluding Public Asset Backed Securities) (category 3), exposures to credit institutions (category 4) and Hedging Agreements (category 5)).

The main asset category of the Special Estate will consist of Category 1 i.e. Residential Mortgage Loans (excluding RMBS).

The value of Cover Assets out of this Category 1 (Residential Mortgage Loans, but excluding RMBS) as determined in accordance with the valuation rules set out in the Article 6 of the Covered Bonds Royal Decree must represent at least 85% of the aggregate Principal Amount Outstanding of all Mortgage Pandbrieven of all Series outstanding (the 85% Asset Coverage Test). In exceptional circumstances the Supervisor may decrease the minimum percentage of 85% of the 85% Asset Coverage Test.

## 3 Description of the Residential Mortgage Loans

# (a) Interest Rates

The Residential Mortgage Loans comprising Cover Assets bear:

- (i) a fixed rate interest for the entire term of the Residential Mortgage Loan; or
- (ii) an interest rate which is subject to a reset from time to time, with the period between to reset dates being no less than one year and no more than ten years.

The actual amount of interest paid under the Residential Mortgage Loans will vary during the life of the Mortgage Pandbrieven as a result of the level of delinquencies, defaults, repurchases, repayments and prepayments in respect of the Residential Mortgage Loans.

### (b) Prepayment Penalties

In accordance with applicable law, the Residential Mortgage Loan agreements allow for prepayment penalties equal to three months interest on the prepaid amount, calculated

at the interest rate then applicable to the prepaid Residential Mortgage Loan (except in the case of: (a) death of a Borrower if the Residential Mortgage Loan is repaid from the proceeds of life insurance taken out in relation to the Residential Mortgage Loans; or (b) in case of destruction of or damage to the property because of hazard, to the extent that the prepayment occurs with funds paid pursuant to a hazard insurance policy relating to the Residential Mortgage Loan).

## (c) Default Interest

In respect of arrears on the Residential Mortgage Loans, default interest (nalatigheidsinterest/intérêt moratoire) at a rate of up to 0.5 per cent per annum is charged/applied in addition to the interest rate then applicable to the Residential Mortgage Loan.

### (d) Types of Residential Mortgage Loans

The Residential Mortgage Loans comprising Cover Assets are of the following repayment terms:

- (i) Linear Residential Mortgage Loan means a mortgage loan under which the Borrower has to make a periodical repayment of principal which remains the same for the duration of the loan, so that the debt gradually decreases. Due to the decreasing outstanding balance, the interest payment decreases proportionally. As a result, the gross mortgage costs (interest plus repayment of principal) decreases over time;
- (ii) Annuity Residential Mortgage Loan means a mortgage loan under which the Borrower has to make a periodical repayment which remains the same for the duration of the loan consisting partly of interest and partly of principal, whereby the interest payments decrease and the repayments of principal increase;
- (iii) **Bullet Residential Mortgage Loan** means a mortgage loan under which the Borrower does not have to reimburse principal amount until maturity of such loan, but only makes interest payments during the lifetime of the loan. The interest payment can be monthly, quarterly, semi-annually, or annually; and
- (iv) Contractual Residential Mortgage Loan means a mortgage loan whereby the amount of principal repayments determined at the start of the Contractual Residential Mortgage Loan can, by upfront decision of the Borrower, be changed up to 4 times during the lifetime of the Contractual Residential Mortgage Loan. The interest is calculated on the outstanding balance and therefore decreases over time. The Borrower decides the payment frequency of the interest, which does not necessarily have to correspond with that for the capital repayments.

## (e) Loan Security

The Residential Mortgage Loans are secured by (1) a first ranking mortgage, and, as the case may be, (2) a lower ranking mortgage provided that the Issuer also has the benefit of all higher ranking mortgages on the same real estate and, as the case may be, a mandate to create mortgages.

## (i) Mortgage

A mortgage creates a priority right to payment out of the mortgaged assets, subject to mandatory statutory priorities (including beneficiaries of prior ranking mortgages).

The Residential Mortgage Loans constitute term advances under facilities which have the form of a revolving facility (*kredietopening/ouverture de crédit*). The mortgage that is granted as security for this type of loans is used to secure all

advances (*voorschotten/avances*) made available under such revolving facility and any other debt owed by the Borrower to the Issuer from the time which the Issuer decides to include (*imputatie/imputation*) in the revolving facility and this under the cover of the mortgage.

Pursuant to article 81 quinquies of the Mortgage Act, a receivable secured by a mortgage securing all debts that can arise over an indefinite period of time (an **All Sums Mortgage**) which is registered in the Cover Register shall, in respect of such mortgage, (i) rank in priority to any receivable which arises after the date of the registration and (ii) have equal ranking with loans or debts which existed at the time of the registration, unless stipulated otherwise in the issue conditions.

Pursuant to article 81 quater, §2 of the Mortgage Act, an advance granted under a revolving facility secured by a mortgage can be registered in the Cover Register. Such advance will benefit from the privileges and mortgages securing the revolving facility. The advance registered in the Cover Register shall, in respect of the mortgage securing the revolving facility, (i) rank in priority to further advances that are granted after the date of registration and (ii) have equal ranking with other advances which existed at the time of the registration, unless stipulated otherwise in the issue conditions.

Condition 12.3 (*Priority Rules regarding security interest securing both Cover Assets and assets in the General Estate*) of the Conditions provides that if a security interest (including any mortgage and mortgage mandate) secures both Cover Assets and assets in the General Estate, all sums received out of the enforcement of the security interest will be applied in priority to satisfy the obligations in relation to the Cover Assets. Any proceeds of enforcement of such security interest can only be applied in satisfaction of the obligations of the relevant assets in the General Estate once all sums owed to the Special Estate in respect of the relevant Cover Assets are irrevocably repaid in full.

# (ii) Mortgage Mandate

A mortgage mandate is often used in addition to a mortgage to limit registration duties payable by the Borrower.

A mortgage mandate does not create an actual security interest and does not therefore create an actual priority right of payment out of the proceeds of a sale of the mortgaged assets. The mortgage mandate is an irrevocable mandate granted by a Borrower or a third party collateral provider to certain attorneys to create a mortgage as security for the Residential Mortgage Loan and all other amounts which the Borrower owes or in the future may owe to the Issuer. Only after creation of the mortgage, the beneficiary of the mortgage will have a priority right to payment out of the proceeds of a sale of the mortgaged assets. See further *Risk Factors – Mortgage Loans – Mortgage Mandates*.

- (iii) as the case may be, life insurance policies and hazard insurance policies;
- (iv) as the case may be, an assignment of salary by the Borrower; and/or
- (v) as the case may be, any pledge, set-off or unicity of account rights of the Issuer pursuant to its applicable general banking terms and conditions.

Pursuant to Article 3, §2, 3° Annex III to the Credit Institutions Supervision Law (and, as far as Mortgage Mandates are concerned, Articles 81 sexies and 81 decies of the Belgian Mortgage Act) all security interests and sureties, guarantees or privileges under whichever form that have been granted in relation to Cover Assets as well as rights under insurance policies and other contracts in relation to the Cover Assets or the management of the Special Estate are automatically part of the Special Estate.

# 4 Underwriting and Servicing of the Loans

# (a) Credit applications and reviews

The bank extends a limited number of simple, low risk and transparent products to financially sound clients.

Target customers:

- Private individuals;
- Self-employed; and
- Professionals.

The mortgage loans are only sold through the bank's branches, franchised (232) and statutory (499). The underwriting policy and the processing for mortgage loans are the same for both kinds of branches.

Financing policy is detailed in policy papers and is published on the bank's intranet accessible for both relationship and risk management.

## (b) Origination process

The credit application is initiated in BTM/TPK 503. This is straight-through processing in which all activities on a certain application are tracked. Application is scored by the system, giving advice to the approver and to the branch.

The granting of a mortgage loan is based on several criteria of which the following are the most important:

- Positive and negative Belgian credit database (via Belgian National Bank);
- · Available internal credit history and internal credit behaviour (if any); and
- Approval can be automatically based on the credit risk based on certain drivers like behavioural score, internal and external databases, debt to available income, known credit behaviour etc.

# (c) Approval process

Credit decisions amounts are either automatically approved or are manually underwritten. These are predefined for each approver based on experience and seniority and on the internal rating assigned to a credit application. All credit decisions in excess of EUR 1 million are taken by 2 mandate levels within 48 hours.

### (d) Collateral

Collateral in a transaction is an important item in the credit decision. All mortgage loans are collateralised and any received collateral typically consists of one or more of the following types:

- · Inscriptions/Mortgages (i.e. liens on specified residential properties); and
- Mortgage mandates.

For the avoidance of doubt, the Residential Mortgage Loans will only be eligible as Cover Assets if they are secured by, at least, a first ranking Mortgage.

## (e) Internal Credit Risk Rating System

The Issuer uses internal risk ratings for managing applications and ongoing credits. The assigned internal risk rating represents the Issuer's assessment of the expected default probability of a given Borrower not taking collateral into account. It is the result of an evaluation of several inputs and internal behavioural data, using statistically based scorecard analyses. The application score could affect the outcome (in combination with other factors like credit record at Supervisor) of the credit decision, but it also determines the level of decision-making authority required to take the decision.

All behavioural scores are delivered on a monthly basis to ING Group, which uses a set of internal risk ratings throughout all its different international units.

Currently the ING Internal Risk Rating scale consists of 22 risk ratings that fall into 3 larger classes of risk:

- 1. "Investment Grade": 01 to 10;
- 2. "Speculative Grade"; 11 to 17;
- 3. "Substandard/Problem Loan Grade"; 18 to 22.

## (f) Credit restructuring process

Risk management continuously monitors the credit quality of the processes and observes developments related to the borrowers, the sector it operates in (which developments could affect the Borrower in the future whilst its current credit profile does not yet reflect these) or in the acceptance criteria.

Credit exposures which have been in arrear for more than 70 days will be managed by the regularisation department. As soon as a file is transferred to the regularisation department, that department takes over the main responsibility of the relationship with the client.

The regularisation department manages a file with the aim to improve the client's credit standing and the bank's position so that normal relationship management and risk management can take over again. If the restructuring department decides that a file should be terminated (and the bank repaid) the file is transferred to the recovery department.

In the "Recovery" department any collateral is liquidated by third parties. If there is still any exposure left following the work-out in "Recovery", they will proceed the writes-off and (if possible) attempt to collect the remaining balance.

#### 5 Initial selection of Residential Mortgage Loans as Cover Assets for the Special Estate

The Issuer may, from time to time, apply additional criteria in order to select the Residential Mortgage Loans that will be allocated as Cover Assets to the Special Estate from its available pool of Residential Mortgage Loans.

For the selection of an initial pool of Residential Mortgage Loans that can be allocated to the Special Estate in relation to the Mortgage Pandbrieven under the Programme, the Issuer has applied, *inter alia*, the following selection criteria:

- the underlying residential real estate is located in Belgium;
- the underlying residential real estate is at origination owner-occupied (hence not used for renting); and

• the current loan to indexed market value (whereby the market value is determined on the basis of the agreed price for the property in the underlying sale agreement or on the basis of the most recently available valuation report by an external valuer, as indexed on the basis of the Stadim index) of the Residential Mortgage Loan is not higher than 115%.

Provided that the Residential Mortgage Loans allocated to the Special Estate satisfy the requirements of the Belgian Covered Bonds, including, in particular, the Statutory Tests, the Issuer may change from time to time change its selection policy and thereby no longer apply the abovementioned criteria or apply additional and/or different criteria.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the FSMA, shall be incorporated in, and form part of, this Base Prospectus:

 the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015, together, in each case, with the related auditors' report.

save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to 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). Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FSMA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in a document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

In respect of any issuance of a new Tranche increasing a Series issued under a previous Base Prospectus, the present Base Prospectus should be read and construed in conjunction with the Conditions (set out in *Terms and Conditions of the Mortgage Pandbrieven*) of the relevant Base Prospectus, which are incorporated by reference in the present Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer, on its website (<a href="www.ing.be/investor-relations">www.ing.be/investor-relations</a>) and the website of Euronext Brussels (<a href="www.euronext.com">www.euronext.com</a>).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Mortgage Pandbrieven or any change in the condition of the Issuer which is material in the context of the Programme or the issue of any Mortgage Pandbrieven, prepare and publish a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Mortgage Pandbrieven to be admitted to trading on an EU Regulated Market. Furthermore, in connection with the listing of the Mortgage Pandbrieven on Euronext Brussels, so long as any Mortgage Pandbrief remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of the Issuer which is not reflected in this Base Prospectus, the Issuer will prepare a further supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of the Mortgage Pandbrieven to be listed on Euronext Brussels.

If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new base prospectus will be prepared.

# Specific items contained in "Documents Incorporated by Reference"

Documents	Page Number
Audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries for the financial year ended 31st December, 2015*	
Report of the board of directors	5-11
Balance sheet	21
Income statement	22
Cash flow statement	24-25
Notes to the financial statements	74-122
Auditors' report	123
Statement of changes in equity	26
Audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries for the financial year ended 31st December, 2014 *	
Report of the board of directors	4-10
Balance sheet	19-21
Income statement	22-23
Cash flow statement	25-26
Notes to the financial statements	70-118
Auditors' report	119
Statement of changes in equity	27-28

<sup>\*</sup> Page references are to the English language PDF version of the relevant incorporated documents.

Information contained in the documents incorporated by reference other than information listed in the table above is for informational purposes only.

## GENERAL DESCRIPTION OF THE MORTGAGE PANDBRIEVEN

Under the Programme, the Issuer may from time to time issue Mortgage Pandbrieven, subject as set out herein. The applicable terms of any Mortgage Pandbrieven will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Mortgage Pandbrieven and will be set out in the Conditions of the relevant Mortgage Pandbrieven, as completed by the applicable Final Terms. The Issuer may also issue from time to time Mortgage Pandbrieven under the Programme which shall be subject to terms and conditions and/or final terms not contemplated by this Base Prospectus. In such circumstances, the relevant forms of terms of such Mortgage Pandbrieven will be set out in the relevant Final Terms.

This Base Prospectus and any supplement will only be valid for issuing Mortgage Pandbrieven in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Mortgage Pandbrieven previously or simultaneously issued under the Programme, does not exceed EUR 10,000,000,000, subject to increase as described herein.

## FORM OF THE MORTGAGE PANDBRIEVEN

#### Form

The Mortgage Pandbrieven can be issued in dematerialised form (**Dematerialised Mortgage Pandbrieven**), in registered form (**Registered Mortgage Pandbrieven**) or in such other form as may be specified in the applicable Final Terms.

Registered Mortgage Pandbrieven will be registered in a register maintained by the Issuer or by a registrar on behalf of the Issuer (the **Registrar**) in accordance with Article 462 et seq. of the Belgian Company Code.

The Dematerialised Mortgage Pandbrieven will be issued in dematerialised form in accordance with Articles 468 et seq. of the Belgian Company Code.

The Dematerialised Mortgage Pandbrieven will be represented by a book entry in the records of the clearing system operated by the National Bank of Belgium (the **NBB**) or any successor thereto (the **Securities Settlement System**). The Dematerialised Mortgage Pandbrieven can be held by their holders through the participants in the Securities Settlement System, including Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking *société anonyme* (**Clearstream, Luxembourg**) and through other financial intermediaries which in turn hold the Dematerialised Mortgage Pandbrieven through Euroclear and Clearstream, Luxembourg or other participants in the Securities Settlement System.

The Dematerialised Mortgage Pandbrieven will be accepted for clearance (settlement) through the Securities Settlement System and will accordingly be subject to the Securities System Regulations. Holders of Dematerialised Mortgage Pandbrieven are entitled to exercise the rights they have, including exercising their voting rights and other associative rights (as defined for the purposes of Article 474 of the Belgian Company Code) against the Issuer in accordance with the Conditions and without prejudice to the powers of the Mortgage Pandbrieven Holders' Representative upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg or any other participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Dematerialised Mortgage Pandbrieven (or the position held by the financial institution through which their Mortgage Pandbrieven are held with the NBB, Euroclear, Clearstream, Luxembourg or such other participant, in which case an affidavit drawn up by that financial institution will also be required). References to the Securities Settlement System, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

The Issuer and the Fiscal Agent will not have any responsibility for the proper performance by the Securities Settlement System or its Participants of their obligations under their respective rules and operating procedures.

The Dematerialised Mortgage Pandbrieven and the Registered Mortgage Pandbrieven may not be exchanged for Mortgage Pandbrieven in bearer form. Registered Mortgage Pandbrieven may not be exchanged for Dematerialised Mortgage Pandbrieven.

## **Title and Transfer**

Title to and transfer of Dematerialised Mortgage Pandbrieven will be evidenced only by records maintained by the Securities Settlement System, Euroclear and Clearstream, Luxembourg or other Securities Settlement System participants and in accordance with the applicable rules and procedures for the time being of the Securities Settlement System, Euroclear and Clearstream, Luxembourg or other Securities Settlement System participants, as the case may be.

Title to and transfer of Registered Mortgage Pandbrieven shall pass by registration of the transfer by the Issuer or by the Registrar in a register in accordance with Article 462 et seq. of the Belgian Company Code.

Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Mortgage Pandbrieven shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

#### **Payments**

All payments of principal or interest owing under the Dematerialised Mortgage Pandbrieven shall be made through the Fiscal Agent and the Securities Settlement System in accordance with the Settlement System Regulations and the Clearing Services Agreement. The Issuer will validly discharge its payment obligations towards the Dematerialised Pandbrieven Holders by payment to the Securities Settlement System through the intervention of the Fiscal Agent.

The Securities Settlement System will not be involved in the payment of interest or principal payable on or in respect of the Dematerialised Mortgage Pandbrieven expressed in any currency other than Euro. Such amounts will be settled outside the Securities Settlement System and paid through the intervention of the Fiscal Agent or the Paying Agents to participants holding positions in the Dematerialised Mortgage Pandbrieven via Euroclear and Clearstream, Luxembourg. Payments of principal and interest in respect of Registered Mortgage Pandbrieven shall be paid to the person shown on the register of the Registered Mortgage Pandbrieven at the close of business on the 15<sup>th</sup> calendar day before the due date for payment thereof.

#### TERMS AND CONDITIONS OF THE MORTGAGE PANDBRIEVEN

The following are the Terms and Conditions (the **Conditions**) of the Mortgage Pandbrieven which, as completed by the applicable Final Terms in relation to any Tranche of Mortgage Pandbrieven, will apply to the Mortgage Pandbrieven. Reference should be made to "Form of the Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Tranche of Mortgage Pandbrieven.

The applicable Final Terms in relation to any Tranche of Mortgage Pandbrieven may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such particular Tranche of Mortgage Pandbrieven, in the case of any Mortgage Pandbrieven which are neither to be admitted to trading on a regulated market within the European Economic Area nor offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive (Exempt Mortgage Pandbrieven).

The Issuer may also issue from time to time Mortgage Pandbrieven under the Programme which shall be subject to terms and conditions and/or final terms not contemplated by this Base Prospectus. In such circumstances, the relevant forms of terms of such Mortgage Pandbrieven will be set out in a schedule to the Agency Agreement.

ING Belgium SA/NV (**ING** or the **Issuer**) has established a Residential Mortgage Pandbrieven Programme (the **Programme**) for the issuance of Belgian *pandbrieven/lettres de gage* governed by the Law of 3 August 2012 on the legal framework of Belgian covered bonds (*Wet van 3 augustus 2012 tot invoering van een wettetijke regeling voor Belgische covered bonds/Loi du 3 août 2012 instaurant un régime légal pour les covered bonds belges) (as implemented in articles 79 to 84 of the Credit Institutions Supervision Law and Annex III to the Credit Institutions Supervision Law) as subsequently amended and/or supplemented (hereinafter the Mortgage Pandbrieven).* 

The National Bank of Belgium (Nationale Bank van Belgie/Banque Nationale de Belgique) (the **NBB**), as Supervisor, has admitted the Issuer to the list of credit institutions that have obtained the authorisation to issue Belgian covered bonds pursuant to Article 80, §1 of the Credit Institutions Supervision Law on 5 November 2013. The Programme has been admitted by the NBB, as Supervisor, to the list of authorised programmes for issue of Belgian covered bonds pursuant to Article 80, §2 of the Credit Institutions Supervision Law on 5 November 2013. Upon so being notified by the Issuer, the Supervisor shall regularly update such list with the Mortgage Pandbrieven issued under the Programme and shall indicate that the Mortgage Pandbrieven constitute Belgian pandbrieven/lettres de gage under the Belgian Covered Bond Regulations.

As used herein, **Tranche** means Mortgage Pandbrieven which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Mortgage Pandbrieven together with any further Tranche or Tranches of Mortgage Pandbrieven which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Each Tranche is the subject of Final Terms (hereinafter the **Final Terms**) which completes these terms and conditions (hereinafter the **Conditions**). The terms and conditions applicable to any particular Tranche of Mortgage Pandbrieven are these Conditions as completed by the applicable Final Terms, save to the extent that such Final Terms replace or modify such Conditions.

All subsequent references in these Conditions to **Mortgage Pandbrieven** are, unless the context otherwise requires, to the Mortgage Pandbrieven of the relevant Series.

The relationship between the Issuer and ING as fiscal agent, paying agent and listing agent (hereinafter the **Fiscal Agent**, the **Paying Agent** and the **Listing Agent** which expression includes any successor agent appointed from time to time in connection with the Mortgage Pandbrieven), any entity from time to time appointed as registrar (hereinafter the **Registrar**, which expression includes any successor registrar appointed from time to time in connection with the Mortgage Pandbrieven) and the other paying agents appointed from time to time under the agency agreement (together with

the Fiscal Agent, the Paying Agent, the Listing Agent and the Registrar, the **Agents**, which expression includes any successor agent appointed from time to time in connection with the Mortgage Pandbrieven) is determined in accordance with an agency agreement made between the Issuer, ING and the Mortgage Pandbrieven Holders' Representative (such agency agreement as modified and/or supplemented and/or restated from time to time, the **Agency Agreement**) concluded or around the date of this Base Prospectus.

The Mortgage Pandbrieven Holders' Representative acts as representative of the Pandbrieven Holders within the meaning of article 1, 4° Annex III to the Credit Institutions Supervision Law in accordance with the provisions of the Mortgage Pandbrieven Holder Representative Agreement (such Mortgage Pandbrieven Holder Representative Agreement as modified and/or supplemented and/or restated from time to time, the **Mortgage Pandbrieven Holder Representative Agreement**) initially concluded on 22 November 2013 between the Issuer and Stichting ING Belgium Mortgage Pandbrieven Holders' Representative as representative (in such capacity the **Mortgage Pandbrieven Holders' Representative**, which expression shall include any successor Mortgage Pandbrieven Holders' Representative) and with the Belgian Covered Bond Regulations.

The Cover Pool Monitor has been appointed as cover pool monitor in relation to the Special Estate (as defined below) pursuant to article 16, §1 Annex III to the Credit Institutions Supervision Law and the Belgian Covered Bond Regulations.

Pursuant to a special estate administration agreement entered into between the Issuer, the Mortgage Pandbrieven Holders' Representative and the Cover Pool Monitor (such special estate administration agreement as modified and/or supplemented and/or restated from time to time, the **Special Estate Administration Agreement**) initially concluded on 22 November 2013, all Mortgage Pandbrieven issued under the Programme shall be subject to and have the benefit of certain common terms (the **Special Estate Administration Terms**) regardless of whether the Mortgage Pandbrieven are issued under the Base Prospectus or not.

The relationship between the Issuer and the NBB as operator of the Securities Settlement System (as hereinafter defined) in relation to the clearing of the Dematerialised Mortgage Pandbrieven is governed by a clearing services agreement (such clearing services agreement as modified and/or supplemented and/or restated from time to time, the **Clearing Services Agreement**) entered into between the Issuer, the Fiscal Agent and the NBB on 22 November 2013 and the Settlement System Regulations (as hereinafter defined).

The Issuer may, from time to time during the Programme, enter into interest rate swap agreements, currency swap agreements and other relevant swap or hedging agreements (together the **Hedging Agreements**) with one or more hedging counterparties (the **Hedging Counterparties**) for the purpose of, *inter alia*, protecting itself against certain risks (including, but not limited to, interest rate, currency exchange, liquidity and credit) related to the Cover Assets (as defined below) and/or the Mortgage Pandbrieven.

The Issuer may, from time to time during the Programme, enter into liquidity facility agreements (the **Liquidity Facility Agreements**) in relation to the Special Estate with one or more liquidity facility providers (the **Liquidity Facility Providers**) in order to improve the liquidity of the Special Estate.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of:

- (b) the Agency Agreement;
- (c) the Mortgage Pandbrieven Holder Representative Agreement;
- (d) the Programme Agreement;
- (e) the Special Estate Administration Agreement; and
- (f) the Clearing Services Agreement.

The Agency Agreement, the Mortgage Pandbrieven Holder Representative Agreement, the Programme Agreement, the Cover Pool Monitor Agreement, the Clearing Services Agreement, the Special Estate Administration Agreement, any Subscription Agreement, each of the Final Terms, any Hedging Agreement, any Liquidity Facility Agreement, any Calculation Agency Agreement and any additional document entered into in respect of the Mortgage Pandbrieven and/or the Special Estate and designated as a Programme Document by the Issuer and the Mortgage Pandbrieven Holders' Representative, are together referred to as the **Programme Documents**.

Copies of the Programme Documents are available for inspection during normal business hours at the registered office of the Issuer and at the Specified Office of the Fiscal Agent and copies may be obtained from those offices save that, if the relevant Mortgage Pandbrief is an Exempt Mortgage Pandbrief, the applicable Final Terms will only be obtainable by a Pandbrieven Holder holding one or more Mortgage Pandbrieven and such Pandbrieven Holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of such Mortgage Pandbrieven and identity. The Pandbrieven Holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them. By subscribing for or otherwise acquiring the Mortgage Pandbrieven, the Pandbrieven Holders will also be deemed to have knowledge of, accept and be bound by all the provisions of, the other Programme Documents.

# 1 Interpretation

**Definitions** 

In these Conditions the following expressions have the following meanings:

**85% Asset Coverage Test** means the requirement set out in the Belgian Covered Bond Regulations that the Asset Coverage Percentage must be at least 85% at all times.

**Accrual Yield** has, in relation to a Zero Coupon Mortgage Pandbrieven, the meaning given in the applicable Final Terms.

**Asset Coverage Percentage** means the proportion, expressed as a percentage, that the aggregate value of the Residential Mortgage Loans registered as Cover Assets in the Special Estate and determined in accordance with the valuation rules set out in the Covered Bonds Royal Decree bears to the aggregate Principal Amount Outstanding of the Mortgage Pandbrieven.

**Base Prospectus** means the base prospectus in relation to the Programme dated 14 July 2015, as amended from time to time.

Belgian Company Code means the Belgian Wetboek van Vennootschappen/Code des Sociétés.

**Belgian Covered Bond Regulations** means the Credit Institutions Supervision Law, the Mobilisation Law, the Covered Bonds Royal Decree, the Cover Pool Administrator Royal Decree, the NBB Covered Bonds Regulation, the NBB Cover Pool Monitor Regulations and any other law, royal decree, regulation or order that may be passed or taken in relation to Belgian covered bonds.

**Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Brussels and in each Additional Business Centre specified in the applicable Final Terms; and
- (b) a day on which the TransEuropean Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

**Calculation Agency Agreement** means any calculation agency agreement that may be entered into by the Issuer with a third party in relation to the Mortgage Pandbrieven.

**Calculation Agent** means the Issuer or any other calculation agent appointed by the Issuer pursuant to a Calculation Agency Agreement, as specified in the applicable Final Terms.

**Cover Assets** means Residential Mortgage Loans and any other loans, securities, accounts, contracts or other assets which comply with the requirements of the Belgian Covered Bond Regulations and that are registered in the Cover Register, and all other assets listed in Article 80, §3, 2° of the Credit Institutions Supervision Law that are included in the Special Estate pursuant to Article 3 Annex III to the Credit Institutions Supervision Law.

**Cover Asset Adequacy Test** means the requirement set out in Article 5 of the Covered Bonds Royal Decree that, with respect to the Special Estate, the sum of interest principal and all other revenues generated by the Cover Assets must be sufficient to cover the sum of all interest, principal and charges linked to the Mortgage Pandbrieven.

**Cover Pool Administrator** means any person or persons appointed (and any additional or replacement person or persons appointed or substituted) as a cover pool administrator (portefeuillebeheerder/gestionnaire de portefeuille) by the Supervisor pursuant to Article 8, §1 Annex III to the Credit Institutions Supervision Law.

Cover Pool Administrator Royal Decree means the Royal Decree of 11 October 2012 on the cover pool administrator in the context of the issue of Belgian covered bonds by a Belgian credit institution (Koninklijk Besluit van 11 oktober 2012 betreffende de portefeuillebeheerder in het kader van de uitgifte van Belgische covered bonds door kredietinstellingen naar Belgisch recht/Arrêté Royal du 11 octobre 2012 relatif au gestionnaire de portefeuille dans le cadre de l'émission de covered bonds belges par un établissement de crédit de droit belge) as subsequently amended and/or supplemented and/or re-issued.

Cover Pool Creditors means the Pandbrieven Holders and the Other Cover Pool Creditors.

**Cover Pool Monitor** means a cover pool monitor *(portefeuillesurveillant/surveillant de portefeuille)* appointed in accordance with Article 16, §1 Annex III to the Credit Institutions Supervision Law and its representative (as approved by the Supervisor in accordance with the Belgian Covered Bond Regulations).

**Cover Register** means the Cover Register established by the Issuer for the Mortgage Pandbrieven issued under the Programme in accordance with Article 15, §2 Annex III to the Credit Institutions Supervision Law.

**Cover Tests** means the Cover Asset Adequacy Test, the 85% Asset Coverage Test and the Over-Collateralisation Test.

**Covered Bonds Royal Decree** means the Royal Decree of 11 October 2012 on the issue of Belgian covered bonds by Belgian credit institutions (Koninklijk Besluit van 11 oktober 2012 betreffende de uitgifte van Belgische covered bonds door kredietinstellingen naar Belgisch recht/Arrêté Royal du 11 octobre 2012 relatif a l'émission de covered bonds belges par des établissements de crédit de droit belge) as subsequently amended and/or supplemented and/or re-issued.

**Credit Institutions Supervision Law** means the Act of 25 April 2014 regarding the status of and supervision on credit institutions, published in the Belgian Official Journal on 7 May 2014.

**Day Count Fraction** means, in respect of the calculation of an amount of interest for any Interest Period in accordance with Condition 4.2 (Interest on Floating Rate Mortgage Pandbrieven):

(a) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the applicable Final Terms, the actual number of days in the Interest Period 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);

- (b) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) If **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (d) if **30/360,360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

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 of 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 of 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>2</sub> will be 30; and

" $D_2$ " 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  $D_2$  is greater than 29, in which case  $D_2$  will be 30;

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

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

where:

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

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

 $"M_1"$  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 of the Interest Period falls;

" $D_1$ " is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case  $D_1$  will be 30; and

" $D_2$ " 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  $D_2$  will be 30:

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

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

where:

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

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

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless

(x) that day is the last day of February or (y) such number would be 31, in which case  $D_1$  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 (x) that day is the last day of February but not the Maturity Date or (y) such number would be 31, in which case D<sub>2</sub> will be 30; and

(g) if **1/1** is specified in the applicable Final Terms, 1.

Dematerialised Mortgage Pandbrieven has the meaning given in Condition 2.2 (Form).

**Determination Date** has the meaning given in the applicable Final Terms.

**Determination Period** means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including where either the Interest Commencement Date or the final Interest Period End Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

**Early Redemption Amount** means the amount calculated in accordance with Condition 6.4 (*Early Redemption Amounts*).

**ECB Eligible** means debt claims (other than those of the Issuer or any of its group companies) that are, at the relevant time, included on the list of assets eligible to be used as collateral for monetary policy operations published by the European Central Bank on its website www.ecb.europa.eu;

**Eligible Investor** means a person who is entitled to hold securities through a so-called "X-account" (being an account exempted from withholding tax) in a settlement system in accordance with Article 4 of the Belgian Royal Decree of 26 May 1994 on the collection and refund of withholding tax (as amended or replaced from time to time).

**Euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty, as amended.

Event of Default has the meaning given in Condition 8.1 (Events of Default).

**Excess Swap Collateral** means an amount equal to the value of any collateral transferred to the Issuer by a Hedging Counterparty under a Hedging Agreement: (A) in respect of which the terms of such Hedging Agreement do not, at the relevant time, provide for such collateral to be applied in satisfaction of the Hedging Counterparty's obligations to the Issuer; or (B) that is in excess of the Hedging Counterparty's liability to the Issuer thereunder (i) as at the termination date of the transaction entered into under such Hedging Agreement or (ii) as at any other date of valuation in accordance with the terms of the Hedging Agreement.

**Exempt Investor** has the meaning given in Condition 7 (*Taxation*).

Extraordinary Resolution has the meaning given in the Meeting Rules.

**Final Redemption Amount** has the meaning given in the applicable Final Terms.

**Fixed Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with Condition 4.1 (*Interest on Fixed Rate Mortgage Pandbrieven*):

- (a) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
  - (i) in the case of Mortgage Pandbrieven where the number of days in the relevant period from (and including) the most recent Interest Period End Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year;
  - (ii) in the case of Mortgage Pandbrieven where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if Actual/Actual or Actual/Actual (ISDA) is specified in the applicable Final Terms, the actual number of days in the Interest Period 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);
- (c) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (d) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (e) if **30/360,360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Fixed Day Count Fraction =

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

where:

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

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

 $"M_1"$  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 of 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

" $D_2$ " 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  $D_2$  is greater than 29, in which case  $D_2$  will be 30;

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

Fixed Day Count Fraction = 
$$\frac{[360 \text{ x} (Y_2 - Y_1)]}{[360 \text{ x} (Y_2 - Y_1)]}$$

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

where:

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

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of 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 of 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

" $D_2$ " 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  $D_2$  will be 30;

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

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

where:

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

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

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

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

(h) if **1/1** is specified in the applicable Final Terms, 1.

**General Estate** means the assets of the Issuer that at such time do not form part of a special estate(s) of the Issuer constituted pursuant to Article 3 Annex III to the Credit Institutions Supervision Law.

**Interest Commencement Date** means, in the case of interest-bearing Mortgage Pandbrieven, the date specified in the applicable Final Terms from (and including) which the relevant Mortgage Pandbrieven will accrue interest.

Interest Determination Date has the meaning specified in the applicable Final Terms.

**Interest Payment Date** means, in the case of interest-bearing Mortgage Pandbrieven, the Interest Payment Date(s) in each year specified in the applicable Final Terms.

**Interest Period** means, in the case of interest-bearing Mortgage Pandbrieven, the period from (and including) an Interest Period End Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Period End Date.

**Interest Period End Date** means, in the case of interest-bearing Mortgage Pandbrieven, the Interest Period End Date(s) in each year specified in the applicable Final Terms.

**Issue Date** has the meaning given in the applicable Final Terms.

Liquidity Test means the requirement set out in the Belgian Covered Bond Regulations that the Cover Assets must, at any time, be able to generate sufficient liquidity or include enough liquid assets to enable the Issuer to make all unconditional payments on the Mortgage Pandbrieven (including principal, interest and other costs) falling due during the following 6 months. If an Extended Maturity Date is specified in the applicable Final Terms for a Series of Mortgage Pandbrieven, payments of amounts of principal due on the Maturity Date in respect of such Series of Mortgage Pandbrieven will not be considered as unconditional for the purpose of the Liquidity Test.

Margin has the meaning given in the applicable Final Terms.

**Maximum Rate of Interest** means, in the case of Floating Rate Mortgage Pandbrieven, the Rate of Interest (if any) specified as such in the applicable Final Terms.

**Meeting Rules** has the meaning assigned to it in Condition 13 (Meeting Rules of Pandbrieven Holders).

**Minimum Rate of Interest** means, in the case of Floating Rate Mortgage Pandbrieven, the Rate of Interest (if any) specified as such in the applicable Final Terms.

**Mobilisation Law** means the Law of 3 August 2012 on various measures to facilitate the mobilisation of receivables in the financial sector (Wet van 3 augustus 2012 betreffende diverse maatregelen ter vergemakkelijking van de mobiliseritng van schuldvorderingen in de financiële sector/Loi du 3 août 2012 relative à des mesures diverses pour faciliter la mobilisation de créances dans le secteur financier) as subsequently amended and/or supplemented and/or reenacted.

**NBB Cover Pool Monitor Regulations** means the Regulation of the NBB addressed to the cover pool monitors of Belgian credit institutions that issue Belgian covered bonds dated 29 October 2012 (Circulaire aan de portefeuillesurveillanten van kredietinstellingen naar Belgisch recht die Belgische covered bonds uitgeven/Circulaire aux surveillants de portefeuille auprès d'établissements de crédit de droit belge qui émettent des covered bonds belges) as subsequently amended and/or supplemented and/or re-issued.

**NBB Covered Bonds Regulation** means the Regulation of the NBB concerning the practical modalities for the application of the law of 3 August 2012 that establishes a legal regime for Belgian Covered Bonds dated 29 October 2012 (Circulaire over de praktische regels voor de toepassing van de wet van 3 augustus 2012 tot invoering van een wettelijke regeling voor Belgische covered bonds/Circulaire sur les modalités pratiques d'application de la loi du 3 août 2012 instaurant un régime legal pour les covered bonds) as subsequently amended and/or supplemented and/or re-issued.

**Notice of Default** has the meaning given to it in Condition 8 (Events of Default and Enforcement).

Operational Creditors means (1) any servicer appointed to service the Cover Assets, (2) any account bank appointed to hold accounts of the Issuer in relation to the Special Estate, (3) any stock exchange on which the Mortgage Pandbrieven are listed and/or admitted to trading, (4) any auditor, legal counsel and tax advisor of the Issuer in relation to the Special Estate or the Programme, (5) any custodian of Cover Assets or assets in the Special Estate, (6) any rating agency appointed by the Issuer to rate the Programme or the Mortgage Pandbrieven, (7) any agent or party appointed in accordance with the Programme Documents, (8) any other creditor of amounts due in connection with the management or administration of the Special Estate, and (9) any other creditor of the Issuer pursuant to any services provided or any transaction entered into in connection with the Special Estate or the Programme, and notified to the Mortgage Pandbrieven Holders' Representative or as may from time to time be specified in the Conditions of any Mortgage Pandbrieven issued under the Programme.

Ordinary Resolution has the meaning given in the Meeting Rules.

**Other Cover Pool Creditors** means the Mortgage Pandbrieven Holders' Representative, any Cover Pool Administrator, the Cover Pool Monitor, the Agents, the Registrar, the Hedging Counterparties (if any), any Liquidity Facility Providers (if any) and any Operational Creditors.

**Over-Collateralisation Test** means the requirement set out in the Belgian Covered Bond Regulations that the value of the Cover Assets determined in accordance with the valuation rules set out in the Covered Bonds Royal Decree must represent at least 105% of the Principal Amount Outstanding of Mortgage Pandbrieven.

**Pandbrieven Holders** or **holders of Mortgage Pandbrieven** means the persons in whose name a Registered Mortgage Pandbrief is registered or, as the case may be, the holders from time to time of Dematerialised Mortgage Pandbrieven as determined by reference to the records of the relevant clearing systems or financial intermediaries and the affidavits referred to in Condition 2 (*Type, Form, Denomination and Title*).

**Principal Amount Outstanding** means, in respect of a Mortgage Pandbrief on any day, the principal amount of that Mortgage Pandbrief on the Issue Date thereof less principal amounts

received by the relevant Pandbrief Holder in respect thereof on or prior to that day, provided that the Principal Amount Outstanding in respect of a Mortgage Pandbrief that has been purchased and cancelled by the Issuer shall be zero.

Programme Resolution has the meaning given in the Meeting Rules.

Rate of Interest means, in the case of interest-bearing Mortgage Pandbrieven, the rate of interest payable from time to time as described in Condition 4 (Interest).

**Rating Agency** means any rating agency (or its successor) who, at the request of the Issuer, assigns and for as long as it assigns, one or more ratings to the Mortgage Pandbrieven under the Programme from time to time, which may include Moody's and Fitch.

**Record Date** has the meaning given in Condition 5.1(b) (Payments in relation to Registered Mortgage Pandbrieven).

**Reference Banks** means the principal Eurozone office of four major banks in the Eurozone interbank market, in each case selected by the Calculation Agent in its sole discretion.

**Reference Price** has, in respect of a Zero Coupon Mortgage Pandbrieven, the meaning given in the applicable Final Terms.

Reference Rate has the meaning given in the applicable Final Terms.

Registered Mortgage Pandbrieven has the meaning given in Condition 2.2 (Form).

**Related Security** means all security interests and sureties, guarantees or privileges under whichever form that have been granted in relation to Cover Assets as well as rights under insurance policies and other contracts in relation to the Cover Assets or the management of the Special Estate.

**Resolution** means an Ordinary Resolution, an Extraordinary Resolution or a Programme Resolution.

**Residential Mortgage Loans** means loans that are secured by a mortgage on residential real estate as defined in article 2, 6° of the Covered Bonds Royal Decree.

**Screen Rate Determination** means, if specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Mortgage Pandbrieven is to be determined in accordance with Condition 4.2 (Interest on Floating Rate Mortgage Pandbrieven).

Securities Settlement System has the meaning given in Condition 2.2 (Form).

**Series Principal Amount Outstanding** means, in respect of a Series of Mortgage Pandbrieven on any day, the aggregate of the Principal Amount Outstanding of each of the Mortgage Pandbrieven comprised in that Series.

**Settlement System Regulations** means Belgian clearing regulations, including the Belgian law of 6 August 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of 26 May 1994 and 14 June 1994 and the rules of the Securities Settlement System and its annexes, as issued or modified by the NBB from time to time.

**Special Estate** means the special estate (bijzonder vermogen/patrimoine spécial) of the Issuer constituted pursuant to Article 3 Annex III to the Credit Institutions Supervision Law in relation to the Programme.

**Specified Currency** means Euro or such other currency as may be specified in the applicable Final Terms.

**Specified Office** means 1000 Brussels, Avenue Marnix 24, Belgium or such office as notified to the Pandbrieven Holders by the Fiscal Agent in accordance with Condition 19 (*Notices*).

**Specified Time** means 11.00 a.m. (Brussels time) in the case of **EURIBOR**.

**Statutory Tests** means the Cover Tests and the Liquidity Test.

**Subordinated Termination Payment** means any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event relating to the credit rating or credit worthiness of the Hedging Counterparty as specified in the schedule to the relevant Hedging Agreement, (b) the bankruptcy of the relevant Hedging Counterparty, or (c) any default and/or failure to perform by such Hedging Counterparty under the relevant Hedging Agreement, other than, in the event of (a) or (b) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

**Sub-unit** with respect to Euro, means, one cent.

**Treaty** means the Treaty establishing the European Community, as amended.

## **VAT** means:

- (a) any tax chargeable under or pursuant to the Council Directive of 28 November 2006 on the common system of value added tax (**EC Directive 2006/112**) or any legislation implemented by any member state of the European Union by virtue of EC Directive 2006/112; and
- (b) any other tax of a similar nature, whether chargeable in a member state of the European Union or elsewhere.

**Winding-up Proceedings** means winding-up proceedings (*liquidatieprocedures/procedures de liquidation*) within the meaning of article 242, 1° of the Credit Institutions Supervision Law.

## 2 Type, Form, Denomination and Title

## 2.1 Residential Mortgage Pandbrieven

The Mortgage Pandbrieven under the Programme are issued as Belgian pandbrieven (Belgische pandbrieven/lettres de gage Belges) in accordance with the Belgian Covered Bond Regulations. The Mortgage Pandbrieven will be covered in accordance with the Belgian Covered Bond Regulations by the same Special Estate of which the main asset category will consist of Residential Mortgage Loans, their Related Security and all monies derived therefrom from time to time in accordance with the Belgian Covered Bond Regulations.

#### 2.2 Form

The Mortgage Pandbrieven can be issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Company Code (**Dematerialised Mortgage Pandbrieven**) or in registered form in accordance with Article 462 *et seq.* of the Belgian Company Code (**Registered Mortgage Pandbrieven**).

Registered Mortgage Pandbrieven will be registered in a register maintained by the Issuer or by the Registrar on behalf of the Issuer in accordance with Article 462 *et seq.* of the Belgian Company Code. Holders of Registered Mortgage Pandbrieven can obtain a certificate demonstrating the registration of the Registered Mortgage Pandbrieven in the register.

The Dematerialised Mortgage Pandbrieven are issued in dematerialised form in accordance with Articles 468 et seq. of the Belgian Company Code. The Dematerialised Mortgage

Pandbrieven will be represented by a book entry in the records of the clearing system operated by the NBB or any successor thereto (the Securities Settlement System). The Dematerialised Mortgage Pandbrieven can be held by their holders through the participants in the Securities Settlement System, including Euroclear Bank SA/NV (Euroclear) and Clearstream Banking société anonyme (Clearstream, Luxembourg) and through other financial intermediaries which in turn hold the Dematerialised Mortgage Pandbrieven through Euroclear and Clearstream, Luxembourg or other participants in the Securities Settlement System. Payments of principal, interest and other sums due under the Dematerialised Mortgage Pandbrieven will be made in accordance with the rules of the Securities Settlement System through the NBB. Holders of Dematerialised Mortgage Pandbrieven are entitled to exercise the rights they have, including exercising their voting rights and other associative rights (as defined for the purposes of Article 474 of the Belgian Company Code) against the Issuer in accordance with the Conditions and without prejudice to the powers of the Mortgage Pandbrieven Holders' Representative, upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg or any other participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Dematerialised Mortgage Pandbrieven (or the position held by the financial institution through which their Dematerialised Mortgage Pandbrieven are held with the NBB, Euroclear, Clearstream, Luxembourg or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

References to the Securities Settlement System, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

The Dematerialised Mortgage Pandbrieven and the Registered Mortgage Pandbrieven may not be exchanged for Mortgage Pandbrieven in bearer form. Registered Mortgage Pandbrieven may not be exchanged for Dematerialised Mortgage Pandbrieven.

## 2.3 Title and transfer

# (a) Title

Title to and transfer of Dematerialised Mortgage Pandbrieven will be evidenced only by records maintained by the Securities Settlement System, Euroclear and Clearstream, Luxembourg or other Securities Settlement System participants and in accordance with the applicable rules and procedures for the time being of the Securities Settlement System, Euroclear and Clearstream, Luxembourg or other Securities Settlement System participants, as the case may be.

Title to and transfer of Registered Mortgage Pandbrieven shall pass by registration of the transfer by the Issuer or by the Registrar in a register in accordance with Article 462 et seq. of the Belgian Company Code.

Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Mortgage Pandbrieven shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, or its theft or loss and no person shall be liable for so treating the holder.

## (b) Transfer

## (i) Transfer free of charge

Transfer of Mortgage Pandbrieven on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer and/or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar may require).

#### (ii) Transfer documents and certificates

Upon a sale or transfer of Registered Mortgage Pandbrieven, the seller thereof will be required to complete the relevant transfer documents and certificates which can be found at <a href="https://www.ing.be">www.ing.be</a> or can be obtained from the Registrar.

# (iii) Closed Period

No Pandbrieven Holder may require the transfer of a Registered Mortgage Pandbrief to be registered (i) during the period of 15 calendar days ending on the due date for redemption of that Registered Mortgage Pandbrief, (ii) after any such Registered Mortgage Pandbrief has been called for redemption or (iii) during the period of 15 calendar days ending on (and including) the due date for payment of principal and/or interest in respect of Registered Mortgage Pandbrieven.

#### 2.4 Denomination

The Mortgage Pandbrief will be issued in such denomination as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms (the **Specified Denomination**) with a minimum specified denomination of EUR 100,000 or its equivalent in any other relevant Specified Currency as at the date of issuance of the relevant Mortgage Pandbrieven.

All Mortgage Pandbrieven of the same Series will have the same Specified Denomination shown in the applicable Final Terms in relation to each Tranche comprising such Series.

# 2.5 Fixed Rate Mortgage Pandbrieven, Floating Rate Mortgage Pandbrieven or Zero Coupon Mortgage Pandbrieven

The applicable Final Terms will indicate whether the Mortgage Pandbrieven are Fixed Rate Mortgage Pandbrieven, Floating Rate Mortgage Pandbrieven or Zero Coupon Mortgage Pandbrieven, or a combination of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms (Interest Basis).

## 2.6 Issuer undertaking

For so long as the Mortgage Pandbrieven are outstanding, the Issuer will ensure that:

- (a) it will comply with the obligations applicable to it under the Belgian Covered Bond Regulations;
- (b) the Special Estate will not contain any commercial mortgage loans, any residential mortgage backed securities (RMBS), any commercial mortgage backed securities (CMBS) and any other asset backed securities (ABS):
- (c) that the Special Estate will at all times include a number of liquid bonds (i) which have an aggregate market value which, after applying the ECB haircut in accordance with the Guideline of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy replacing as from 1 May 2015 the Guidelines of the ECB of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem (as may be amended, supplemented, replaced and/or restated from time to time), is higher than the amount of interest due and payable on the outstanding Mortgage Pandbrieven within a period of three months meeting the criteria set out in paragraph 7 of the NBB Covered Bonds Regulation and (ii) which (1) are eligible as collateral for Eurosystem monetary policy purposes and intra-day credit operations by the Eurosystem, (2) have a credit quality step 1 as defined in the CRR, (3) are subject to a daily mark-to-market, (4) have a remaining maturity of more than three months and, (5) are not debt issued by the Issuer, and (6) are not residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS) or any other asset

backed securities (ABS) (the **Undertaking of the Issuer with regard to Liquidity of the Special Estate**); and

(d) it will provide regular investor reports containing information regarding, amongst others, the Mortgage Pandbrieven and the composition of the Special Estate, on a on a monthly basis, on the 15<sup>th</sup> Business Day of each calendar month (each an **Investor Report Date**), which will be made available on the website of the Issuer at www.ing.be/investor-relations.

# 3 Status of the Mortgage Pandbrieven

The Mortgage Pandbrieven are issued as Belgian pandbrieven (Belgische pandbrieven/lettres de gage belges) in accordance with the Belgian Covered Bond Regulations and will constitute direct, unconditional and unsubordinated obligations of the Issuer. The Mortgage Pandbrieven rank pari passu and rateably without any preference or priority among themselves, irrespective of their Series, and at least pari passu with all other present and future outstanding unsecured obligations of the Issuer, save for such obligations as may be preferred by law that are both mandatory and of general application. In addition, the Mortgage Pandbrieven will be covered in accordance with the Belgian Covered Bond Regulations by the Special Estate and the Pandbrieven Holders and the Other Cover Pool Creditors will have an exclusive right of recourse to the Special Estate.

#### 4 Interest

## 4.1 Interest on Fixed Rate Mortgage Pandbrieven

Each Fixed Rate Mortgage Pandbrief bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest determined in accordance with this Condition 4.1. Interest will accrue in respect of each Interest Period and will be payable in arrear on the Interest Payment Date(s).

Interest shall be calculated in respect of any period by applying the Rate of Interest to, in the case of Dematerialised Mortgage Pandbrieven, the relevant Series Principal Amount Outstanding or, in the case a Registered Mortgage Pandbrief, the Principal Amount Outstanding of such Registered Mortgage Pandbrief and, in either case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest Sub-unit, half of any such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

## 4.2 Interest on Floating Rate Mortgage

(a) Interest Period End Dates and Interest Payment Date

Each Floating Rate Mortgage Pandbrief bears interest at the rate per annum (expressed as a percentage) equal to the Rate of Interest (determined in accordance with Condition 4.2(b) (Rate of Interest)), from (and including) the Interest Commencement Date. Interest will accrue in respect of each Interest Period and will be payable in arrear on the Interest Payment Date(s). The amount of interest payable shall be calculated in accordance with Condition 4.2(d) (Determination of Rate of Interest and calculation of Interest Amounts).

# (b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Mortgage Pandbrieven will be equal to the rate of interest determined in the following manner, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Mortgage Pandbrieven

Where **ISDA Determination** is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph 4.2(b)(i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issuer or other person specified in the applicable Final Terms under an interest rate swap transaction if the Issuer or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Mortgage Pandbrieven (the **ISDA Definitions**), and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is the period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (I) if the applicable Floating Rate Option is based on the Eurozone inter-bank offered rate (EURIBOR), the first day of that Interest Period or (II) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph 4.2(b)(i), (1) Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions and (2) Eurozone means the region comprising the member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

When this Condition 4.2(b)(i) (ISDA Determination for Floating Rate Mortgage Pandbrieven) applies, in respect of each relevant Interest Period the Calculation Agent will be deemed to have discharged its obligations under Condition 4.2(d) (Determination of Rate of Interest and calculation of Interest Amounts) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this subparagraph 4.2(b)(i).

## (ii) Screen Rate Determination

- (A) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:
  - (1) the offered quotation (if there is only one quotation appearing on the relevant Screen Page); or
  - the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

(B) If the Reference Rate is EURIBOR, and

- (1) the Relevant Screen Page is not available or if, in the case of (A)(1) above, no such offered quotation appears or, in the case of (A)(2) above, fewer than three such offered quotations appear, in each case as at the Specified Time on the Interest Determination Date in question, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question;
- (2) on any Interest Determination Date,
  - (I) two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or
  - (II) fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period shall be the offered rate for deposits in Euro for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in Euro for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Eurozone interbank market, as the case may be, plus or minus (as appropriate) the Margin (if any);
- (3) five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; and
- (4) the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).
- (c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

## (d) Determination of Rate of Interest and calculation of Interest Amounts

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Calculation Agent will notify the Fiscal Agent and the Issuer, as applicable, of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Mortgage Pandbrieven for the relevant Interest Period by applying the Rate of Interest to, in the case of Dematerialised Mortgage Pandbrieven, the relevant Series Principal Amount Outstanding or, in the case a Registered Mortgage Pandbrief, the Principal Amount Outstanding of such Registered Mortgage Pandbrief and, in either case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest Sub-unit, half of any such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

## (e) Notification of Rate of Interest and Interest Amounts

The Calculation Agent will promptly notify the Fiscal Agent and the Issuer, as applicable, of each Interest Amount and the Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the other Agents and any stock exchange on which the relevant Floating Rate Mortgage Pandbrieven are for the time being listed (to the extent required by the rules applicable to the relevant stock exchange) and notice thereof to be published in accordance with Condition 19 (Notices) as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Mortgage Pandbrieven are for the time being listed (to the extent required by the rules applicable to the relevant stock exchange) and to the Pandbrieven Holders in accordance with Condition 19 (Notices).

## (f) Calculation Agent

If for any reason at any relevant time after the Issue Date, the Calculation Agent defaults in its obligation to determine the Rate of Interest and any Interest Amount in accordance with Conditions 4.2(b)(i) (ISDA Determination for Floating Rate Mortgage Pandbrieven) or 4.2(b)(ii) above, and in each case in accordance with Condition 4.2(d) (Determination of Rate of Interest and calculation of Interest Amounts), the Issuer or upon the opening of Winding-up Proceedings against the Issuer, the Cover Pool Administrator, if the Calculation Agent is not the Issuer or the Mortgage Pandbrieven Holders' Representative, if the Calculation Agent is the Issuer, may determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it may think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Issuer, the Cover Pool Administrator or the Mortgage Pandbrieven Holders' Representative, as applicable, may calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances but taking into account the provisions of the applicable Final Terms. In making any such determination or calculation, the Issuer, the Cover Pool Administrator or the Mortgage Pandbrieven Holders' Representative, as

applicable, may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). If such determination or calculation is made, the Issuer, the Cover Pool Administrator or the Mortgage Pandbrieven Holders' Representative, as applicable, shall as soon as reasonably practicable notify the Issuer, the Fiscal Agent, the other Agents, the Issuer or the Mortgage Pandbrieven Holders' Representative, as applicable, and each stock exchange on which the relevant Floating Rate Mortgage Pandbrieven are for the time being listed (to the extent required by the rules applicable to the relevant stock exchange), of such determination or calculation and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

#### (g) Notifications to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 (Interest on Floating Rate Mortgage Pandbrieven), whether by the Issuer or the Mortgage Pandbrieven Holders' Representative shall (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Fiscal Agent, the other Agents and all Pandbrieven Holders and (in the absence as aforesaid) no liability to the Issuer or the Pandbrieven Holders, as applicable, shall attach to the Issuer or the Mortgage Pandbrieven Holders' Representative, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### 4.3 Accrual of Interest

Each Mortgage Pandbrief (or in the case of the redemption of part only of a Mortgage Pandbrief, that part only of such Mortgage Pandbrief) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of: (a) the date on which all amounts due in respect of such Mortgage Pandbrief have been paid; and (b) five days after the date on which the full amount of the moneys payable has been received by the Fiscal Agent and notice to that effect has been given to the Pandbrieven Holders in accordance with Condition 19 (Notices).

## 4.4 Interest on Zero Coupon Mortgage Pandbrieven

Zero Coupon Mortgage Pandbrieven will be offered and sold at a discount to their nominal amount and will, subject to Condition 4.5 (*Interest Payments up to the Extended Maturity Date*), not bear periodic interest. When a Zero Coupon Mortgage Pandbrief becomes repayable prior to its Maturity Date, it will be redeemed at the Early Redemption Amount calculated in accordance with Condition 6.4 (*Early Redemption Amounts*). In the case of late payment the amount due and repayable shall be calculated in accordance with Condition 6.9 (*Late Payment for Zero Coupon Mortgage Pandbrieven*).

## 4.5 Interest Payments up to the Extended Maturity Date

If the maturity of the Mortgage Pandbrieven is extended beyond the Maturity Date in accordance with Condition 6.2 (Extension of Maturity Date):

(a) the Mortgage Pandbrieven then outstanding shall bear interest from (and including) the Maturity Date to (but excluding) the Extended Maturity Date or, if earlier, the relevant Interest Payment Date after the Maturity Date on which the Mortgage Pandbrieven are redeemed, subject to Condition 4.3 (Accrual of Interest). In that event, interest shall be payable on the Mortgage Pandbrieven at the rate determined in accordance with Condition 4.5(b) below on each Mortgage Pandbrief then outstanding on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date;

- (b) the rate of interest payable from time to time under Condition 4.5(a) above will be as specified in the applicable Final Terms and, where applicable, determined by the Calculation Agent fourteen Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms; and
- (c) in the case of Mortgage Pandbrieven which are Zero Coupon Mortgage Pandbrieven, for the purposes of this Condition 4.5, the principal amount outstanding of each Mortgage Pandbrief shall be the total amount otherwise payable by the Issuer on the Maturity Date in respect of such Mortgage Pandbrief less any payments made by the Issuer in respect of such amount in accordance with the Conditions.

## 4.6 Business Day Conventions

If a **Business Day Convention** is specified in the applicable Final Terms in relation to any date (including, for the avoidance of doubt, any Maturity Date or Extended Maturity Date) and (x) if there is no numerically corresponding day in the calendar month in which such date should occur or (y) if such date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in the case of Floating Rate Mortgage Pandbrieven, the Floating Rate Convention, the relevant Interest Period End Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day, unless it would thereby fall into the next calendar month, in which event (A) such Interest Period End Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Period End Date shall be the last Business Day in the month;
- (b) the **Following Business Day Convention**, such date shall be postponed to the next day which is a Business Day; or
- (c) the **Preceding Business Day Convention**, such date shall be brought forward to the immediately preceding Business Day.

## 5 Payments

# 5.1 Method of payment

(a) Payments in relation to Dematerialised Mortgage Pandbrieven

Subject as provided below, all payments of principal or interest owing under the Dematerialised Mortgage Pandbrieven shall be made through the Fiscal Agent and the Securities Settlement System in accordance with the Settlement System Regulations and the Clearing Services Agreement.

Any payment of interest, principal or other sums payable on Dematerialised Mortgage Pandbrieven expressed in any currency other than Euro will be settled outside the Securities Settlement System and paid by the Fiscal Agent and Paying Agents via Euroclear and Clearstream, Luxembourg.

(b) Payments in relation to Registered Mortgage Pandbrieven

Payments of principal and interest in respect of Registered Mortgage Pandbrieven shall be paid to the person shown on the register of the Registered Mortgage Pandbrieven at the close of business on the fifteenth calendar day before the due date for payment thereof (the **Record Date**).

# 5.2 Payments subject to fiscal laws

Payments will be subject in all cases to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) as applicable and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

No commissions or expenses shall be charged by the Issuer or the Fiscal Agent to the Pandbrieven Holders in respect of such payments.

## 5.3 Payment Day

If the date for payment of any amount in respect of any Mortgage Pandbrief is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other payment in respect of any delay. For these purposes, **Payment Day** means any day which (subject to Condition 10 (*Prescription*)) is:

- (a) a day on which the TARGET2 System is open; and
- (b) a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Financial Centre specified in the applicable Final Terms

# 5.4 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Mortgage Pandbrieven shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition
   7 (Taxation) or under any undertakings or covenants given in addition thereto, or in substitution therefore, pursuant to the Agency Agreement;
- (b) the Final Redemption Amount;
- (c) the Early Redemption Amount; and
- (d) in relation to Zero Coupon Mortgage Pandbrieven, the Amortised Face Amount (as defined in Condition 6.4(c) (*Early Redemption Amounts*)).

Any reference in these Conditions to interest in respect of the Mortgage Pandbrieven shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefore, pursuant to the Agency Agreement.

## 6 Redemption and Purchase

# 6.1 Final redemption

Unless previously redeemed or purchased and cancelled as specified below, each Mortgage Pandbrief will be redeemed by the Issuer at the Final Redemption Amount specified in the applicable Final Terms in the Specified Currency on the Maturity Date.

## 6.2 Extension of Maturity Date

If the Issuer fails to redeem a Series of Mortgage Pandbrieven in full within fourteen Business Days after their Maturity Date and provided that an Extended Maturity Date is specified in the applicable Final Terms as applying to such Series of Mortgage Pandbrieven then:

- (a) (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Maturity Date and in such case the Final Redemption Amount will not be considered to have been due and payable on the Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the Extended Maturity Date;
- (b) if following the extension of the Maturity Date in accordance with Condition 6.2(a), the Issuer has, in the same month, the obligation to pay principal on two or more Series of Mortgage Pandbrieven, it will make payments in respect of the Series of Mortgage Pandbrieven where the Maturity Date has been extended prior to paying Series of Mortgage Pandbrieven where the Maturity Date has not been extended. If the Issuer fails to pay the Final Redemption Amount in respect of such Mortgage Pandbrieven with a later Maturity Date, payments of unpaid amounts shall be deferred in accordance with Condition 6.2(a);
- (c) an extension of one Series shall not automatically result in an extension of any other Series (other than, for the avoidance of doubt, as provided for in Condition 6.2(b) above);
- (d) any payments which shall be subject to an extension in accordance with this Condition 6.2 shall not be considered as unconditional for the purpose of article 7, §1 of the Covered Bonds Royal Decree;
- (e) the Issuer shall confirm to the Cover Pool Monitor, the Rating Agencies, any relevant Hedging Counterparty, the Mortgage Pandbrieven Holders' Representative, the Fiscal Agent and the Paying Agent and any relevant stock exchange as soon as reasonably practicable and in any event at least four Business Days prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Mortgage Pandbrieven within fourteen Business Days after the Maturity Date. The Issuer shall give notice of the extension of the Maturity Date to the Extended Maturity Date to the Pandbrieven Holders of such Series as soon as reasonably practicable. Any failure by the Issuer to notify such parties shall not affect the validity of effectiveness of the extension nor give rise to any rights in any such party;
- (f) failure to pay in full by the Issuer on the Maturity Date shall not constitute an Event of Default. However, failure by the Issuer to pay the Final Redemption Amount on the Extended Maturity Date will constitute an Event of Default;
- (g) if the maturity of any Mortgage Pandbrieven is extended up to the Extended Maturity Date in accordance with this Condition 6.2, for so long as any of those Mortgage Pandbrieven remain outstanding, the Issuer shall not issue any further Mortgage Pandbrieven, unless the proceeds of issuance of such further Mortgage Pandbrieven are applied by the Issuer on issuance in redeeming in whole or in part the relevant Mortgage Pandbrieven in accordance with the terms hereof; and
- (h) this Condition 6.2 shall only apply if the Issuer has insufficient funds available to redeem Mortgage Pandbrieven in full on the relevant Maturity Date (or within fourteen Business Days thereafter).

#### 6.3 Redemption for taxation reasons

The Mortgage Pandbrieven may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Mortgage Pandbrief is not a Floating Rate Mortgage Pandbrief) or on any Interest Payment Date (if the relevant Mortgage Pandbrief is a Floating Rate Mortgage Pandbrief), on giving not less than 30 nor more than 60 days' notice to the Fiscal

Agent and the Mortgage Pandbrieven Holders' Representative and, in accordance with Condition 19 (Notices), the Pandbrieven Holders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Mortgage Pandbrieven, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*), as a result of any change in, or amendment to, the laws or regulations of Belgium or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Mortgage Pandbrieven; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Mortgage Pandbrieven then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent and the Mortgage Pandbrieven Holders' Representative a certificate signed by two authorised signatories of the Issuer, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Mortgage Pandbrieven redeemed pursuant to this Condition 6.3 (*Redemption for taxation reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 6.4 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of early redemption.

#### 6.4 Early Redemption Amounts

For the purpose of Condition 6.1 (Final redemption), Condition 6.2 (Extension of Maturity Date), Condition 6.3 (Redemption for taxation reasons), Condition 6.5 (Illegality) and Condition 8 (Events of Default and Enforcement), the Early Redemption Amount in respect of any Mortgage Pandbrieven shall be calculated as follows:

- in the case of a Mortgage Pandbrief with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Mortgage Pandbrief (other than a Zero Coupon Mortgage Pandbrief) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at its Principal Amount Outstanding; and
- (c) in the case of a Zero Coupon Mortgage Pandbrief, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount =  $RP \times (1 + AY)y$ 

where:

- RP means the Reference Price:
- AY means the Accrual Yield expressed as a decimal; and
- y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and

including) the Issue Date of the first Tranche of the Mortgage Pandbrieven to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Mortgage Pandbrief becomes due and repayable and the denominator of which is 360, provided that where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of Zero Coupon Mortgage Pandbrieven payable in a specified currency other than Euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of Zero Coupon Mortgage Pandbrieven payable in Euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (iii) other such redemption amount of a Zero Coupon Mortgage Pandbrieven as may be specified in the applicable Final Terms.

## 6.5 Illegality

In the event that the Issuer determines that the performance of the Issuer's obligations under the Mortgage Pandbrieven has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than 10 nor more than 30 days' notice to Pandbrieven Holders and the Mortgage Pandbrieven Holders' Representative in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Mortgage Pandbrieven of the relevant Series, each Mortgage Pandbrief being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent and the Mortgage Pandbrieven Holders' Representative a certificate signed by two authorised signatories of the Issuer, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

#### 6.6 Purchases

The Issuer or any subsidiary, affiliate or holding company of the Issuer may at any time purchase or otherwise acquire Mortgage Pandbrieven at any price in the open market either by tender or private agreement or otherwise.

Such Mortgage Pandbrieven acquired by the Issuer may be held, reissued, resold or, at the option of the Issuer, transferred to the Fiscal for cancellation.

Unless otherwise indicated in the applicable Final Terms, Mortgage Pandbrieven so acquired by the Issuer may be held in accordance with Article 12, §1 Annex III to the Credit Institutions Supervision Law or cancelled in accordance with this Condition 6.6.

## 6.7 Subscription to own Mortgage Pandbrieven

The Issuer may subscribe to its own Mortgage Pandbrieven in accordance with Article 12, §1 Annex III to the Credit Institutions Supervision Law.

Mortgage Pandbrieven so subscribed by the Issuer may be held in accordance with Article 12, §1 Annex III to the Credit Institutions Supervision Law or transferred to the Fiscal Agent for cancellation.

# 6.8 Cancellation of redeemed Mortgage Pandbrieven

All Mortgage Pandbrieven which are redeemed will forthwith be cancelled.

## 6.9 Late Payment for Zero Coupon Mortgage Pandbrieven

If the amount payable in respect of any Zero Coupon Mortgage Pandbrief upon redemption of such Mortgage Pandbrief pursuant to Condition 6.1, 6.3 above or 6.5 above or upon its becoming due and repayable as provided in Condition 8 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Mortgage Pandbrief shall be the amount calculated as provided in Condition 6.4 (*Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Mortgage Pandbrief becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Mortgage Pandbrief have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Mortgage Pandbrief has been received by the Fiscal Agent and notice to that effect has been given to the Pandbrieven Holders in accordance with Condition 19 (*Notices*).

## 7 Taxation

All payments of principal and interest in respect of the Mortgage Pandbrieven by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or on behalf of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Pandbrieven Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Mortgage Pandbrief:

- (a) with respect to any payment in respect of any Dematerialised Mortgage Pandbrief:
  - (i) held by a holder of a Dematerialised Mortgage Pandbrief which is liable to Taxes in respect of such Dematerialised Mortgage Pandbrief by reason of its having some connection with the jurisdiction by which such Taxes have been imposed, levied, collected, withheld or assessed other than the mere holding of the Dematerialised Mortgage Pandbrief; or
  - (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive (as it may be amended or replaced from time to time), or pursuant to FATCA; or
  - (iii) held by a holder of a Dematerialised Mortgage Pandbrief who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another paying agent of the Issuer in a member state of the European Union; or
  - (iv) where such withholding or deduction is imposed because the holder of the Dematerialised Mortgage Pandbrieven is not an Eligible Investor (unless that person was an Eligible Investor at the time of its acquisition of the relevant Mortgage Pandbrief but has since ceased (as such term is defined from time to time under Belgian law) being an Eligible Investor by reason of a change in the Belgian tax laws or regulations or in the interpretation or application thereof or by reason of another change which was outside that person's control), or is an Eligible Investor but is not holding the relevant Dematerialised Mortgage Pandbrief in an exempt securities account with a qualifying clearing system in accordance with the Belgian law of 6 August 1993 relating to transactions in certain securities and its implementation decrees; or

- (v) to a holder who is liable to such Taxes because the Dematerialised Mortgage Pandbrieven were converted into registered Mortgage Pandbrieven upon his/her request and could no longer be cleared through the Securities Settlement System; or
- (vi) to a holder who is entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption.
- (b) with respect to any payment in respect of any Registered Mortgage Pandbrief:
  - (i) held by a holder of a Registered Mortgage Pandbrief which is liable to Taxes in respect of such Mortgage Pandbrief by reason of its having some connection with the jurisdiction by which such Taxes have been imposed, levied, collected, withheld or assessed other than the mere holding of the Registered Mortgage Pandbrief; or
  - (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive (as it may be amended or replaced from time to time) or pursuant to FATCA; or
  - (iii) held by a holder of a Registered Mortgage Pandbrief who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another paying agent of the Issuer in a member state of the European Union; or
  - (iv) where such withholding or deduction is imposed because the holder of the Registered Mortgage Pandbrieven is not a holder who is an Exempt Investor (as defined below) (unless that person was an Exempt Investor at the time of its acquisition of the relevant Mortgage Pandbrief but has since ceased (as such term is defined from time to time under Belgian law) being an Exempt Investor by reason of a change in the Belgian tax laws or regulations or in the interpretation or application thereof); or
  - (v) where such withholding or deduction is imposed for reason of the holder of the Registered Mortgage Pandbrieven, at the time of the relevant interest payment, not benefitting from a full exemption from Belgian interest withholding tax due to the Issuer no longer qualifying as a financial institution as referred to in the Articles 105, 1°, a) and 107, §2, 5°, b) of the Royal Decree implementing the Belgian Income Tax Code 1992"; or
  - (vi) to a holder who is entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
  - (vii) presented for payment more than 30 calendar days after the Relevant Date (as defined below) except to the extent that the holder of the Registered Mortgage Pandbrief would have been entitled to additional amounts on presenting the same for payment on the expiry of such period of 30 calendar days; or
  - (viii) which is issued as a Zero Coupon Mortgage Pandbrief or any other Registered Mortgage Pandbrief which provides for the capitalisation of interest.

#### As used in this Condition:

**Exempt Investor** means a holder of a Registered Mortgage Pandbrief that, as of the relevant interest payment date, (i) is not resident for tax purposes in Belgium and does not use the income producing assets to exercise a business or professional activity in Belgium, (ii) has been the legal owner (eigenaar/proprietaire) or usufructuary (vruchtgebruiker/usufruitier) of the Registered Mortgage Pandbrief during the entire relevant interest period, (iii) has been registered with the Issuer as the holder of the Registered Mortgage Pandbrief during the entire

relevant interest period, (iv) has provided the Issuer an affidavit in which it is certified that the conditions mentioned in points (i) and (ii) are complied with respect to such interest payment on or before the date such affidavit is required to be delivered to the Issuer and (v) complies with any further requirement imposed by any successor provision to the current relevant Belgian tax provisions.

Relevant Date in respect of any payment means the date on which such payment first becomes due.

#### 8 Events of Default and Enforcement

#### 8.1 Events of Default

If any of the following events occurs and is continuing (each an Event of Default):

- (a) on the Extended Maturity Date (in respect of any Series in respect of which an Extended Maturity Date applies in accordance with the applicable Final Terms) or on the Maturity Date (in respect of any Series in respect of which an Extended Maturity Date does not apply) in respect of any Series there is a failure to pay any amount of principal due on the Mortgage Pandbrieven on such date and such default is not remedied within a period of fourteen Business Days from the due date thereof; or
- (b) on any Interest Payment Date, a default in the payment of the amount of interest due on any Series occurs and such default is not remedied within a period of fourteen Business Days from the due date thereof,

then the Mortgage Pandbrieven Holders' Representative may and, if it has been so directed by a request in writing by the holders of not less than 25% of the aggregate of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding but excluding the Mortgage Pandbrieven held by the Issuer for the calculation of the percentage (with the Mortgage Pandbrieven of all Series taken together as a single Series) or if so directed by a Programme Resolution (subject to being indemnified and/or secured and/or prefunded to its satisfaction), shall serve a notice (a **Notice of Default**) on the Issuer (copied to the Cover Pool Monitor, the Supervisor, the Rating Agencies and, if appointed, the Cover Pool Administrator). Following the service of a Notice of Default, (i) no further Mortgage Pandbrieven will be issued and (ii) the Mortgage Pandbrieven of each Series shall become immediately due and repayable on the date specified in the Notice of Default at the Early Redemption Amount, together with accrued interest thereon to the date of repayment.

## 8.2 Enforcement

The Mortgage Pandbrieven Holders' Representative may at any time, at its discretion and without further notice, take such proceedings against the Issuer and/or any other person as it may think fit to enforce the provisions of the Mortgage Pandbrieven or any Programme Document.

No Pandbrief Holder shall be entitled to proceed directly against the Issuer or to take any action with respect to the Programme Documents, the Mortgage Pandbrieven or the Cover Assets unless the Mortgage Pandbrieven Holders' Representative, having become bound so to proceed pursuant to a Resolution or a direction of the Pandbrieven Holders in accordance with the Conditions, as applicable, fails so to do within a reasonable period, fourteen Business Days being considered reasonable in this respect, and such failure shall be continuing.

## 8.3 Pandbrieven Holders' Waiver

For the avoidance of doubt, the Pandbrieven Holders waive, to the fullest extent permitted by law (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (ontbinden/résoudre), or demand in legal proceedings the rescission (ontbinding/résolution) of, the Mortgage Pandbrieven and (ii) all their rights whatsoever in respect of Mortgage

Pandbrieven pursuant to Article 487 of the Belgian Company Code (right to rescind (ontbinding/résolution)).

# 9 Priorities of Payments

## 9.1 Post Event of Default Priority of Payments

Following delivery of a Notice of Default and subject to Condition 9.3 (*Excess Cover Assets*) all funds deriving from the Cover Assets or otherwise received or recovered by the Special Estate (whether in the administration, liquidation of the Special Estate or otherwise) (other than amounts or financial instruments representing Excess Swap Collateral (if any), which amounts shall be applied in accordance with the terms of the relevant Hedging Agreement(s)) shall be applied on any Business Day in accordance with the following order of priority of payments (the **Post Event of Default Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full) provided that any such amount that is due to be paid hereunder has not been paid by the Issuer using funds not forming part of the Special Estate:

- first, pari passu and pro rata according to the respective amounts thereof, (a) to pay all (i) amounts then due and payable to the Mortgage Pandbrieven Holders' Representative (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Mortgage Pandbrieven Holder Representative Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein, (b) to pay all amounts then due and payable to the Agents and/or the Registrar (if any) under the provisions of the Agency Agreement, any Calculation Agency Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (c) to pay all amounts then due and payable to the Cover Pool Monitor under the provisions of the Cover Pool Monitor Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein and (d) upon its appointment in accordance with the Belgian Covered Bond Regulations, to pay all amounts then due to any Cover Pool Administrator (including any of its representatives or delegates) pursuant to the conditions of its appointment together with interest and applicable VAT or other similar taxes and any costs and expenses incurred by or on behalf of the Special Estate;
- (ii) second, *pari passu* and *pro rata* according to the respective amounts thereof, to pay any amounts, fees, costs, charges, liabilities, expenses and taxes due and payable by the Issuer or the Special Estate to the Operational Creditors;
- (iii) third, pari passu and pro rata according to the respective amounts thereof, (a) to pay all amounts of interest and principal then due and payable on any Mortgage Pandbrieven, (b) any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements, and (c) to pay all amounts due and payable under any Liquidity Facility Agreement to any Liquidity Provider;
- (iv) fourth, *pari passu* and *pro rata*, according to the respective amounts thereof, to pay any amount due and payable to any Hedging Counterparties arising out of any Subordinated Termination Payment; and
- (v) fifth, once all Mortgage Pandbrieven have been redeemed and following the payment in full of all items under (i) to (iv) above, to pay any excess to the General Estate of the Issuer.

#### 9.2 Early Redemption Priority of Payments

Following a decision by the Cover Pool Administrator to early redeem the Mortgage Pandbrieven of all Series pursuant to Articles 11, 6° or 7° Annex III to the Credit Institutions Supervision Law and as long as no Notice of Default has been delivered all funds deriving from the Cover Assets or otherwise received or recovered by the Special Estate and subject to Condition 9.3 (*Excess Cover Assets*) (whether in the administration, liquidation of the Special Estate or otherwise) (other than amounts or financial instruments representing Excess Swap

Collateral (if any), which amounts shall be applied in accordance with the terms of the relevant Hedging Agreement(s)) shall be applied on any Business Day in accordance with the following order of priority of payments (the **Early Redemption Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full) provided that any such amount that is due to be paid hereunder has not been paid by the Issuer using funds not forming part of the Special Estate:

- first, pari passu and pro rata according to the respective amounts thereof, (a) to pay all (i) amounts then due and payable to the Mortgage Pandbrieven Holders' Representative (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Mortgage Pandbrieven Holder Representative Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein. (b) to pay all amounts then due and payable to the Agents and/or the Registrar (if any) under the provisions of the Agency Agreement, any Calculation Agency Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (c) to pay all amounts then due and payable to the Cover Pool Monitor under the provisions of the Cover Pool Monitor Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein, (d) upon its appointment in accordance with the Belgian Covered Bond Regulations, payment of all amounts then due to any Cover Pool Administrator (including any of its representatives or delegates) pursuant to the conditions of its appointment together with interest and applicable VAT or other similar taxes and any costs and expenses incurred by or on behalf of the Special Estate and (e) payment of any amounts, fees, costs, charges, liabilities, expenses and taxes due and payable by the Issuer or the Special Estate to the Operational Creditors;
- (ii) second, pari passu and pro rata according to the respective amounts thereof, (a) to pay all amounts of interest and principal then due and payable on any Mortgage Pandbrieven, (b) any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements, and (c) to pay all amounts due and payable under any Liquidity Facility Agreement to any Liquidity Facility Provider;
- (iii) third, *pari passu* and *pro rata*, according to the respective amounts thereof, to pay any amount due and payable to any Hedging Counterparties arising out of any Subordinated Termination Payment; and
- (iv) fourth, once all Mortgage Pandbrieven have been redeemed and following the payment in full of all items under (i) to (iii) above, to pay any excess to the General Estate of the Issuer.

#### 9.3 Excess Cover Assets

Nothing in Conditions 9.1 or 9.2 shall operate to prevent the Issuer, the Special Estate, the Mortgage Pandbrieven Holders' Representative, the Cover Pool Monitor or any Cover Pool Administrator from complying with any direction made in accordance with Article 11, 8° Annex III to the Credit Institutions Supervision Law from the bankruptcy trustee of the General Estate of the Issuer such Cover Assets as the bankruptcy trustee of the General Estate of the Issuer has determined, after consultation with the Supervisor (taking into account the Belgian Covered Bond Regulations and, as the case may be, the rating assigned to the Mortgage Pandbrieven), are no longer be required to form part of the Special Estate.

## 10 Prescription

Claims against the Issuer for payment of principal and interest in respect of the Mortgage Pandbrieven will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after their due date, unless application to a court of law for such payment has been initiated on or before such respective time. The due date for Mortgage Pandbrieven of which the Maturity Date has been extended shall be the Extended Maturity Date.

# 11 Agents

- (a) In acting under the Agency Agreement and in connection with the Mortgage Pandbrieven, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Pandbrieven Holders.
- (b) The initial Agents and their initial specified offices are set forth in the Base Prospectus. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Agent provided, however, that:
  - (i) the Issuer shall at all times maintain a Fiscal Agent and a Principal Paying Agent (which may be the same entity) which will at all times be a participant in the Securities Settlement System;
  - (ii) so long as the Mortgage Pandbrieven are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (which may be the Fiscal Agent) with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority (which, so long as the Mortgage Pandbrieven are listed on Euronext Brussels, shall be Brussels);
  - (iii) so long as there are Registered Mortgage Pandbrieven, the Issuer shall maintain a Registrar for the relevant Series of Registered Mortgage Pandbrieven (which may be the Issuer itself):
  - (iv) in the case of Floating Rate Mortgage Pandbrieven, the Issuer shall at all times maintain a Calculation Agent for the relevant Series of Mortgage Pandbrieven (which may be the Issuer itself); and
  - (v) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income (as amended, supplemented or replaced from time to time), or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directives or pursuant to FATCA.

Notice of any change in any of the Agents, the Registrar or the Calculation Agent or in their specified offices shall promptly be given to the Pandbrieven Holders in accordance with Condition 19 (Notices).

# 12 Mortgage Pandbrieven Provisions

## 12.1 Criteria for the transfer of assets by the General Estate to the Special Estate

In accordance with Article 3, §2, second paragraph of Annex III to the Credit Institutions Supervision Law, the following criteria shall be applied in circumstances where amounts must be transferred to the Special Estate but cannot be identified within the General Estate of the Issuer. In such circumstances, the General Estate shall transfer to the Special Estate (in consultation between the Cover Pool Administrator and the bankruptcy trustee of the Issuer), instead of the relevant amounts, the following unencumbered assets available within the General Estate in an equal amount determined in the following order of priority:

 first, credit quality step 1 bonds that are ECB eligible and/or level 1 assets as described in the liquidity risk framework calculation of the Liquidity Coverage Ratio (as implemented through CRD IV);

- (b) failing which, credit quality step 2 bonds that are ECB eligible and/or level 2 assets as described in the liquidity risk framework calculation of the Liquidity Coverage Ratio (as implemented through CRD IV);
- (c) failing which, bonds other than (a) or (b) above that are ECB eligible;
- (d) failing which, bonds other than (a), (b) or (c) above;
- (e) failing which, public sector exposure other than (a), (b), (c) or (d);
- (f) failing which, residential mortgage loans; and
- (g) failing any of the above, such assets as the Cover Pool Administrator in the name and for the account of the Special Estate may select in its sole discretion.

## 12.2 Use of swap collateral

Any collateral provided to the Issuer in the context of a Hedging Agreement that constitutes a Cover Asset, may only be used in order to satisfy the obligations that relate to the Special Estate and in accordance with the provisions of the relevant Hedging Agreement.

# 12.3 Priority Rules regarding security interest securing both Cover Assets and assets in the General Estate

If a security interest (including any mortgages or mortgage mandate) secures claims of both the Special Estate and the General Estate of the Issuer, proceeds from the enforcement of any such security interest shall be applied in priority to satisfy the obligations due in respect of the Cover Assets shown in the Cover Register as comprising part of the Special Estate. Only upon satisfaction in full of the relevant claims of the Cover Assets shown in the Cover Register as comprising part of the Special Estate shall any of the proceeds be applied against the claims of the General Estate which are also secured by such security interest.

# 13 Meeting Rules

The Meeting Rules of Pandbrieven Holders (the **Meeting Rules**) are attached to, and form an integral part of, these Conditions. References in these Conditions to the Meeting Rules include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

The Articles 568 to 580 of the Belgian Company Code relating to Bondholders' meetings shall only apply to the extent that (i) the Conditions (including the Meeting Rules) and (ii) the articles of association of the Issuer, do not contain provisions which differ from the provisions contained in such articles.

# 14 The Mortgage Pandbrieven Holders' Representative

The Mortgage Pandbrieven Holders' Representative has been appointed by the Issuer as representative of the Pandbrieven Holders in accordance with Article 14, §2 Annex III to the Credit Institutions Supervision Law upon the terms and conditions set out in the Mortgage Pandbrieven Holder Representative Agreement and herein.

As long as the Mortgage Pandbrieven are outstanding, there shall at all times be a representative of the Pandbrieven Holders in accordance with Article 14, §2 Annex III to the Credit Institutions Supervision Law, which has the power to exercise the rights conferred on it by these Conditions, the Meeting Rules, the Mortgage Pandbrieven Holder Representative Agreement and the Belgian Covered Bond Regulations in order to protect the interests of the Pandbrieven Holders.

By reason of holding Mortgage Pandbrieven, each Pandbrief Holder:

- (a) recognises the Mortgage Pandbrieven Holders' Representative as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Mortgage Pandbrieven Holders' Representative in such capacity as if such Pandbrief Holder was a signatory thereto; and
- (b) acknowledges and accepts that the Issuer shall not be liable, except in case of fraud, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Pandbrieven Holders as a result of the performance by the Mortgage Pandbrieven Holders' Representative of its duties or the exercise of any of its rights under these Conditions (including the Meeting Rules).

The Mortgage Pandbrieven Holders' Representative may also be appointed to represent Other Cover Pool Creditors provided that such Other Cover Pool Creditors agree with such representation.

#### 15 Conflicts of Interest

The Mortgage Pandbrieven Holders' Representative shall, as regards the powers, authorities and discretions vested in it, except where expressly provided otherwise, have regard to the overall interests of the Pandbrieven Holders of all Series taken together and of the Other Cover Pool Creditors that have agreed to be represented by the Mortgage Pandbrieven Holders' Representative provided that if, in the opinion of the Mortgage Pandbrieven Holders' Representative, there is a conflict between the interests the Pandbrieven Holders and those Other Cover Pool Creditors, the Mortgage Pandbrieven Holders' Representative will have regard solely to the interest of the Pandbrieven Holders. The Mortgage Pandbrieven Holders' Representative shall not have regard to any interests arising from circumstances particular to individual Pandbrieven Holders or such Other Cover Pool Creditors.

# 16 Meetings of Pandbrieven Holders

## 16.1 Meetings of Pandbrieven Holders

The Meeting Rules contain provisions for convening meetings of the Pandbrieven Holders of each Series to consider matters relating to the Mortgage Pandbrieven, including the modification or waiver of any provision of the Conditions. For the avoidance of doubt any such modification or waiver shall be subject to the consent of the Issuer or, upon the opening of Winding-up Proceedings against the Issuer, the Cover Pool Administrator on behalf of the Special Estate, except as provided otherwise in the Meeting Rules.

All meetings of Pandbrieven Holders will be held in accordance with the Meeting Rules. The Articles 568 to 580 of the Belgian Company Code relating to Bondholders' meetings shall only apply to the extent that (i) the Conditions (including the Meeting Rules) and (ii) the articles of association of the Issuer do not contain provisions which differ from the provisions contained in such articles.

#### 16.2 Written Resolution

Except in relation to a Programme Resolution to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° Annex III to the Credit Institutions Supervision Law, a resolution in writing signed by or on behalf of holders of 50% or more of the aggregate of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution. A resolution in writing to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° Annex III to the Credit Institutions Supervision Law signed by or on behalf of holders of 75 per cent. of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution. A resolution in writing signed by or on behalf of holders of two thirds of the Series Principal Amount Outstanding of the relevant Series of Mortgage

Pandbrieven outstanding shall take effect as an Extraordinary Resolution. A written resolution signed by the holders of 50% or more of the Series Principal Amount Outstanding of the relevant Series of the Mortgage Pandbrieven outstanding shall take effect as if it were an Ordinary Resolution. Such resolutions in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Pandbrieven Holders.

## 17 Amendments to the Conditions and Waivers

Amendments to and waivers of the Conditions shall be made in accordance with the Meeting Rules.

### 18 Further Issues

The Issuer may from time to time, subject to Condition 6.2 (*Extension of Maturity Date*), without the consent of the Pandbrieven Holders, create and issue further Mortgage Pandbrieven having either: (i) the same terms and conditions as the Mortgage Pandbrieven in all respects (or in all respects except for the first payment of interest thereon, issue date and/or issue price) so as to form a single series with the Mortgage Pandbrieven; or (ii) different terms from any existing Mortgage Pandbrieven, where Mortgage Pandbrieven shall constitute a new Series of Mortgage Pandbrieven.

## 19 Notices

Notices to be given by any holder of Mortgage Pandbrieven (including notices to convene a meeting of Pandbrieven Holders) shall be in writing and given by lodging the same, with the Fiscal Agent and the Mortgage Pandbrieven Holders' Representative. Notices to be given to the holders of Dematerialised Mortgage Pandbrieven (including notices to convene a meeting of Pandbrieven Holders) shall be deemed to have been duly given to the relevant Pandbrieven Holders if sent to the Securities Settlement System, Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Dematerialised Mortgage Pandbrieven and shall be deemed to be given on the date on which it was so sent.

All notices to holders of Registered Mortgage Pandbrieven (including notices to convene a meeting of Pandbrieven Holders) will be mailed by regular post or by fax to the holders at their respective addresses or fax numbers appearing in the register of Registered Mortgage Pandbrieven.

If sent by post, notices will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. If sent by fax, notices will be deemed to have been given upon receipt of a confirmation of the transmission.

So long as the Mortgage Pandbrieven are listed on any stock exchange or admitted to listing by any other relevant authority and if the rules of the exchange so require, any notice shall also be published in accordance with the rules and regulations of such stock exchange or other relevant authority.

No notifications in any such form will be required for convening meetings of Pandbrieven Holders if all Pandbrieven Holders have been identified and have been given an appropriate notice by registered mail.

Notwithstanding the above, the Mortgage Pandbrieven Holders' Representative shall be at liberty to approve any other method of giving notice to Pandbrieven Holders if, in its opinion, such other method is reasonable having regard to the then-prevailing market practice and rules of the competent authority, stock exchange, clearing system or, as the case may be, quotation system on which the Mortgage Pandbrieven are then admitted to trading.

# 20 Governing Law and Submission to Jurisdiction

The Mortgage Pandbrieven and all matters arising from or connected with the Mortgage Pandbrieven (and any non-contractual obligations arising out of or in connection with the Mortgage Pandbrieven) are governed by, and shall be construed in accordance with, Belgian law.

The courts of Brussels, Belgium are to have exclusive jurisdiction to settle any dispute, arising from or connected with the Mortgage Pandbrieven (including any disputes relating to any non-contractual obligations arising out of or in connection with the Mortgage Pandbrieven).

#### MEETING RULES OF THE PANDBRIEVEN HOLDERS

#### PART 1 - GENERAL PROVISIONS AND INTERPRETATION

#### 1. GENERAL PROVISIONS

- 1.1. Each Pandbrief Holder is a member of the meeting of Pandbrieven Holders held in accordance with these meeting rules (the **Meeting Rules**). The Articles 568 to 580 of the Belgian Company Code shall only apply to the extent that (1) the Conditions (including these Meeting Rules) or (2) the articles of association of the Issuer do not contain provisions which differ from the provisions contained in such articles.
- 1.2. The Meeting Rules, which are deemed to be an integral part of the Conditions of the Mortgage Pandbrieven of each Series issued by the Issuer under the Programme, aim to coordinate the exercise of the rights of the Pandbrieven Holders and, more generally, to protect the interest of the Pandbrieven Holders. To this end:
  - (A) Part 2 of these Meeting Rules contains provisions applicable to the Mortgage Pandbrieven Holders' Representative; and
  - (B) Part 3 of these Meeting Rules contains the rules that apply in particular to the meeting of Pandbrieven Holders.
- 1.3. The Meeting Rules shall remain in full force and effect until full repayment or cancellation of all Mortgage Pandbrieven of whatever Series.

#### 2. INTERPRETATION

# 2.1. Definitions

Unless otherwise defined in these Meeting Rules or unless the context otherwise requires, in these Meeting Rules the following words shall have the following meanings:

Basic Term	means	the	matters	referred	to	under	Clauses
Change	13.2(f)	to 13	5.2(i) of th	e Meeting	g R	ules;	

Block Voting	:	means a document issued by a Recognised
Instruction		Accountholder or the Securities Settlement
		System in accordance with Clause 8.3.(c) of the
		Meeting Rules;

Conditions	:	means	the	Terms	and	Conditions	of	the
		Mortgag	je Pai	ndbrieve	n of th	ne relevant	Serie	s or
		Tranche	e issue	ed by the	Issue	r:		

Extraordinary Resolution	:	means a resolution passed at a Meeting duly convened and held in accordance with the Meeting Rules by a majority of at least two thirds
		of the aggregate Series Principal Amount Outstanding of the Series of Mortgage
		Pandbrieven for which votes have been cast;

Ordinary
Resolution

: means any resolution passed at a Meeting duly convened and held in accordance with the Meeting Rules by a simple majority of at least 50 per cent. of the aggregate Series Principal Amount Outstanding of the Series of Mortgage Pandbrieven for which votes have been cast plus

one vote;

Programme Resolution

means any resolution passed at a Meeting duly convened and held in accordance with the Meeting Rules by a simple majority of at least 50 per cent. of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series under the Programme for which votes have been cast plus one vote, with the Mortgage Pandbrieven of all Series taken together as a single Series;

Recognised Accountholder

means, in relation to one or more Dematerialised Mortgage Pandbrieven, the recognised accountholder (erkende rekeninghouder/teneur de compte agréé) within the meaning of Article 468 of the Belgian Company Code with which a Pandbrieven Holder holds such Dematerialised Mortgage Pandbrieven on a securities account;

**Resolution**: means an Ordinary Resolution, an Extraordinary

Resolution or a Programme Resolution;

Voting Certificate: means a certificate issued by a Recognised

Accountholder or the Securities Settlement System in accordance with Clause 8.3. (b) of the

Meeting Rules.

Any other capitalized terms used in the Meeting Rules and not otherwise defined herein, shall have the meaning and the construction ascribed to them in the Conditions.

# 2.2. Interpretation

All references in the Meeting Rules to

- (a) **Mortgage Pandbrieven** are, unless the context otherwise requires, references to the Mortgage Pandbrieven of the relevant Series;
- (b) a *Clause* shall, except where expressly provided to the contrary, be a reference to a Clause of the Meeting Rules; and
- (c) a *Meeting* references to a meeting of Pandbrieven Holders of a single Series of Mortgage Pandbrieven (except in case of a meeting to pass a Programme Resolution, in which case the Mortgage Pandbrieven of all Series are taken together as a single Series) and includes, unless the context otherwise requires, any adjournment.

# PART 2 – MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE

#### 3. APPOINTMENT AND REMOVAL

## 3.1. Appointment

The Mortgage Pandbrieven Holders' Representative has been appointed by the Issuer as Mortgage Pandbrieven Holders' Representative of the Pandbrieven Holders in accordance with Article 14, §2 Annex III to the Credit Institutions Supervision Law upon the terms and conditions set out in the Mortgage Pandbrieven Holder Representative Agreement and herein.

As long as the Mortgage Pandbrieven are outstanding, there shall at all times be a Mortgage Pandbrieven Holders' Representative of the Pandbrieven Holders in accordance with Article 14, §2 Annex III to the Credit Institutions Supervision Law.

The Mortgage Pandbrieven Holders' Representative protects the interests of the Pandbrieven Holders and hereto has the power to exercise the rights conferred on it by the Conditions, the Meeting Rules, the Mortgage Pandbrieven Holder Representative Agreement and the Belgian Covered Bond Regulations. In connection with the exercise of its functions (including but not limited to those referred to in these Meeting Rules) the Mortgage Pandbrieven Holders' Representative shall have regard to the interests of the Pandbrieven Holders under the Programme and Other Cover Pool Creditors (in accordance with Clause 4.3), and shall not have regard to the consequences of such exercise for individual Pandbrieven Holders and the Mortgage Pandbrieven Holders' Representative shall not be entitled to require, nor shall any Pandbrief Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Pandbrieven Holders.

By reason of holding Mortgage Pandbrieven, each Pandbrief Holder:

- (i) recognises the Mortgage Pandbrieven Holders' Representative as its Mortgage Pandbrieven Holders' Representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Mortgage Pandbrieven Holders' Representative in such capacity as if such Pandbrief Holder were a signatory thereto;
- (ii) acknowledges and accepts that the Issuer shall not be liable, except in case of fraud, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Pandbrieven Holders as a result of the performance by the Mortgage Pandbrieven Holders' Representative of its duties or the exercise of any of its rights under the Conditions; and
- (iii) agrees that the Issuer, as agreed in the Mortgage Pandbrieven Holder Representative Agreement, shall pay to the Mortgage Pandbrieven Holders' Representative a remuneration for its services as Mortgage Pandbrieven Holders' Representative.

## 3.2. Retirement and removal

### 3.2.1. Conditions for Removal

As long as Mortgage Pandbrieven are outstanding, the Mortgage Pandbrieven Holders' Representative shall not retire and may only be removed from its duties under the Mortgage Pandbrieven Holder Representative Agreement, the Meeting Rules or any other Programme Document by means of a Programme Resolution:

- (A) if any of the following events occurs, namely:
  - (I) an order is made or an effective resolution is passed for the dissolution (*ontbinding / dissolution*) of the Mortgage Pandbrieven Holders' Representative except a dissolution (*ontbinding / dissolution*) for the purpose of a merger where the Mortgage Pandbrieven Holders' Representative remains solvent; or
  - (II) the Mortgage Pandbrieven Holders' Representative ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of its debts or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or

- (III) the Mortgage Pandbrieven Holders' Representative defaults in the performance or observance of any of its material covenants and obligations under the Conditions, Mortgage Pandbrieven Holder Representative Agreement or any other Programme Document and (except where such default is incapable of remedy, when no such continuation and/or notice shall be required) such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Mortgage Pandbrieven Holders' Representative becoming aware of such default and receipt by the Mortgage Pandbrieven Holders' Representative of written notice from the Issuer requiring the same to be remedied; or
- (IV) the Mortgage Pandbrieven Holders' Representative becomes subject to any bankruptcy (faillissement / faillite), judicial reorganisation (gerechtelijke reorganisatie / réorganisation judiciaire), as applicable, or other insolvency procedure under applicable laws; or
- (V) the Mortgage Pandbrieven Holders' Representative is unable to perform its material obligations under the Conditions or the Mortgage Pandbrieven Holder Representative Agreement for a period of twenty (20) Business Days by circumstances beyond its reasonable control or force majeure;

## (B) provided that:

- (I) in the same Programme Resolution a substitute Mortgage Pandbrieven Holders' Representative is appointed; and
- (II) such substitute Mortgage Pandbrieven Holders' Representative meets all legal requirements to act as Mortgage Pandbrieven Holders' Representative and accepts to be bound by the terms of the Conditions, the Meeting Rules and the Programme Documents in the same way as its predecessor.

#### 3.2.2. Procedure

# (A) Termination

Upon the Programme Resolution as provided for by Clause 3.2.1 (*Conditions for Removal*) the Issuer shall provide notice in writing to the Mortgage Pandbrieven Holders' Representative of the termination of the powers delegated to it under the Mortgage Pandbrieven Holder Representative Agreement and the Programme Documents.

The termination of the Mortgage Pandbrieven Holder Representative Agreement (1) shall take effect from a date (not earlier than the date of the notice) specified in the notice and (2) shall also terminate the appointment and power of attorney by the Other Cover Pool Creditors.

## (B) Substitute Mortgage Pandbrieven Holders' Representative

The appointment of the substitute Mortgage Pandbrieven Holders' Representative in accordance with the Programme Resolution referred to in Clause 3.2.2(A) above shall become automatically effective upon the termination of the Mortgage Pandbrieven Holders' Representative becoming effective and at such time all rights and powers granted to the then acting Mortgage Pandbrieven Holders' Representative shall terminate and shall automatically be vested in the substitute Mortgage Pandbrieven Holders' Representative. All references to the Mortgage Pandbrieven Holders' Representative in the Programme Documents shall where and when

appropriate be read as references to the substitute Mortgage Pandbrieven Holders' Representative as selected and upon vesting of rights and powers pursuant to this Clause.

# 3.3. Appointment of the Management Board of the Mortgage Pandbrieven Holders' Representative

Pursuant to the Mortgage Pandbrieven Holders' Representative's articles of association, the management board (*bestuur*) of the Mortgage Pandbrieven Holders' Representative shall initially consist of one (1) member, being Amsterdamsch Trustee's Kantoor BV.

Except as set forth in Clause 3.4 below, any other board member to the management board will be appointed by the management board or, if there are no more board members in office, one or more board members can be appointed by a Programme Resolution.

# 3.4. Resignation and Removal of the Management Board of the Mortgage Pandbrieven Holders' Representative

Pursuant to the Mortgage Pandbrieven Holders' Representative's articles of association, membership of the management board shall end in the following cases:

- (i) upon written voluntary resignation by the board member;
- (ii) in the case of an individual, upon the death of the board member;
- (iii) in the case of a legal entity, upon the dissolution of the board member;
- (iv) upon the board member being declared bankrupt or becoming subject to a moratorium or if and when a debt application natural persons (*schuldsanering natuurlijke personen*) becomes applicable on the board member;
- (v) upon the board member being placed under guardianship (ondercuratelestelling) or becoming subject to a court order whereby as a result of the physical or mental condition of the board member an administrator is appointed in respect of one or more of the goods or the board member;
- (vi) by dismissal ordered by court;
- (vii) if the board consists of more than two members, by dismissal by board resolution adopted unanimously by all board members in position, the board member involved excluded;
- (viii) by dismissal by a Programme Resolution of the Pandbrieven Holders, provided that, in case there would be no more board members as a result of such dismissal, the Pandbrieven Holders appoint one or more new board members.

#### 4. POWERS

### 4.1. Powers

The Mortgage Pandbrieven Holders' Representative, acting in its own name and on behalf of the Pandbrieven Holders shall have the powers and authorities set forth in the Belgian Covered Bond Regulations, the Mortgage Pandbrieven Holder Representative Agreement, the Conditions and in any of the Programme Documents to which it is a party and such powers incidental thereto, which it will exercise in accordance with and subject to the provisions of the Belgian Covered Bond Regulations, the Mortgage Pandbrieven Holder Representative Agreement, the Conditions and the Programme Documents. In particular, but without limitation, the Mortgage Pandbrieven Holders' Representative, acting in its own name and on behalf of the Pandbrieven Holders shall have the power:

- (i) to represent the Pandbrieven Holders as provided for in Article 14, §2 Annex III to the Credit Institutions Supervision Law;
- (ii) to exercise all other powers and rights and perform all duties given to the Mortgage Pandbrieven Holders' Representative under the Conditions including the Meeting Rules, the Programme Documents and the Belgian Covered Bond Regulations;
- (iii) upon service of a Notice of Default, to proceed against the Issuer to enforce the performance of the Programme Documents and the Conditions on behalf of the Pandbrieven Holders and the Other Cover Pool Creditors represented by it;
- (iv) to collect all proceeds in the course of enforcing the rights of the Pandbrieven Holders and the Other Cover Pool Creditors represented by it;
- (v) to apply or to direct the application of the proceeds of enforcement in accordance with the Conditions; and
- (vi) generally, to do all things necessary in connection with the performance of such powers and duties.

The Mortgage Pandbrieven Holders' Representative may act in court and represent the Pandbrieven Holders or Other Cover Pool Creditors (provided such Other Cover Pool Creditors previously agreed with the representation in accordance with the provisions of the Mortgage Pandbrieven Holder Representative Agreement) in any bankruptcy or similar insolvency proceedings, without having to reveal the identity of the Pandbrieven Holders or Other Cover Pool Creditors it represents.

## 4.2. Delegation

The Mortgage Pandbrieven Holders' Representative may delegate the performance of any of the powers listed in this Clause 4 (*Powers*) to any persons (including any legal entity) whom it may designate.

Notwithstanding any sub-contracting or delegation of the performance of its obligations hereunder or under the Programme Documents or under the Mortgage Pandbrieven Holder Representative Agreement, the Mortgage Pandbrieven Holders' Representative shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of the Mortgage Pandbrieven Holders' Representative and shall be jointly and severally liable for the performance or non-performance or the manner of performance of any sub-contractor, agent or delegate and such sub-contracting or delegation shall not affect the Mortgage Pandbrieven Holders' Representative's obligations hereunder, under the Programme Documents to which it is a party or under the Mortgage Pandbrieven Holder Representative Agreement. The Mortgage Pandbrieven Holders' Representative shall, prior to such appointment, give notice to the Issuer of the appointment of any delegate and any renewal, extension and termination of such appointment.

## 4.3. Representation of Other Cover Pool Creditors

## 4.3.1. Representation of Other Cover Pool Creditors

The Mortgage Pandbrieven Holders' Representative may also be appointed to represent Other Cover Pool Creditors provided that such Other Cover Pool Creditors agree with such representation.

In relation to any duties, obligations and responsibilities of the Mortgage Pandbrieven Holders' Representative to these Other Cover Pool Creditors in its capacity as agent of these Other Cover Pool Creditors, the Mortgage Pandbrieven Holders' Representative and these Other Cover Pool Creditors will agree and the Issuer will concur, that the Mortgage Pandbrieven Holders' Representative shall discharge these duties, obligations and responsibilities by performing and observing its duties,

obligations and responsibilities as representative of the Pandbrieven Holders in accordance with the provisions of the Mortgage Pandbrieven Holder Representative Agreement, the Programme Documents and the Conditions including these Meeting Rules.

#### 4.3.2. Conflicts between Pandbrieven Holders and Other Cover Pool Creditors

The Mortgage Pandbrieven Holders' Representative shall, as regards the powers, authorities and discretions vested in it, except where expressly provided otherwise, have regard to the interests of both the Pandbrieven Holders of all Series and the Other Cover Pool Creditors that have agreed to be represented by the Mortgage Pandbrieven Holders' Representative but if, in the opinion of the Mortgage Pandbrieven Holders' Representative, there is a conflict between the interests the Pandbrieven Holders and those Other Cover Pool Creditors, the Mortgage Pandbrieven Holders' Representative will have regard solely to the interest of the Pandbrieven Holders, but, for the avoidance of doubt, without prejudice to the applicable priority of payments.

#### 5. INSTRUCTIONS AND INDEMNITY

The Mortgage Pandbrieven Holders' Representative shall not be bound to take any action under its powers or duties unless:

- (i) it shall have been directed to do so by an Extraordinary Resolution of the Pandbrieven Holders in accordance with the Meeting Rules or, in relation to the service of a Notice of Default pursuant to Condition 8.1 (*Events of Default*), it shall have been (x) requested to do so by a request in writing by the holders of not less than 25% of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding (but excluding the Mortgage Pandbrieven held by the Issuer for the calculation of the percentage) or (y) so directed by a Programme Resolution; and
- (ii) it shall in all cases have been indemnified, prefunded or secured to its satisfaction against all liability, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith, save where these are due to its own gross negligence, wilful misconduct or fraud.

Whenever the interests of the Pandbrieven Holders are or can be affected in the opinion of the Mortgage Pandbrieven Holders' Representative, the Mortgage Pandbrieven Holders' Representative may – if indemnified, prefunded or secured to its satisfaction – take legal action on behalf of the Pandbrieven Holders and represent the Pandbrieven Holders in any insolvency proceeding and any other legal proceedings initiated against the Issuer or any other party to a Programme Document.

The Mortgage Pandbrieven Holders' Representative can under no circumstances, including the situation wherein Pandbrieven Holders' instruction or approval cannot be obtained for whatever reason, be required to act without it being remunerated and indemnified or secured to its satisfaction.

The Mortgage Pandbrieven Holders' Representative shall be indemnified by the Issuer and held harmless, in respect of any and all liabilities and expenses incurred by it or by anyone appointed by it or to whom any of its functions may be delegated by it in carrying out its functions.

# 6. REPORTING, LIABILITY, EXONERATION AND INDEMNIFICATION OF THE MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE

## 6.1. Reporting

If so requested in advance by the Issuer or the Cover Pool Administrator, as applicable, the Mortgage Pandbrieven Holders' Representative shall report to the Meeting on the performance of its duties under the Mortgage Pandbrieven Holder Representative Agreement, the Meeting Rules and the Programme Documents (the **Report**) provided such request is notified by registered mail no later than ten (10) Business Days prior to the relevant Meeting.

The Issuer or the Cover Pool Administrator, as applicable, shall require a Report if so instructed by those Pandbrieven Holders who have requested that such Meeting be convened.

#### 6.2. Liabilities and Exoneration

The Mortgage Pandbrieven Holder Representative Agreement contains provisions governing the responsibility (and relief from responsibility) of the Mortgage Pandbrieven Holders' Representative and providing for its indemnification in certain circumstances, including provisions relieving the Mortgage Pandbrieven Holders' Representative from taking enforcement proceedings unless indemnified to its satisfaction.

The Mortgage Pandbrieven Holders' Representative shall not be liable to the Issuer or any of the Pandbrieven Holders or the Other Cover Pool Creditors represented by it in respect of any loss or damage which arises out of the exercise, or the attempted exercise of, or the failure to exercise any of its powers or any loss resulting therefrom, except that the Mortgage Pandbrieven Holders' Representative shall be liable for such loss or damage that is caused by its gross negligence, wilful misconduct or fraud.

The Mortgage Pandbrieven Holders' Representative shall not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Cover Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Issuer or any agent or related company of the Issuer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons.

The Mortgage Pandbrieven Holders' Representative shall have no liability for any breach of or default under its obligations under the Mortgage Pandbrieven Holder Representative Agreement if and to the extent that such breach is caused by any failure on the part of the Issuer, any of the Other Cover Pool Creditors (other than the Mortgage Pandbrieven Holders' Representative) to duly perform any of their material obligations under any of the Programme Documents. In the event that the Mortgage Pandbrieven Holders' Representative is rendered unable to duly perform its obligations under the Mortgage Pandbrieven Holder Representative Agreement by any circumstances beyond its control (overmacht/force majeure), the Mortgage Pandbrieven Holders' Representative shall not be liable for any failure to carry out its obligations under the Mortgage Pandbrieven Holder Representative Agreement which are thus affected by the event in question and, for so long as such circumstances continue, its obligations under the Mortgage Pandbrieven Holder Representative Agreement which are thus affected will be suspended without liability for the Mortgage Pandbrieven Holders' Representative.

The Mortgage Pandbrieven Holders' Representative shall not be responsible for monitoring the compliance by any of the other parties (including the Issuer and the Cover Pool Monitor) with their obligations under the Programme Documents. The Mortgage Pandbrieven Holders' Representative may, until it has actual knowledge or express notice to the contrary, assume the Issuer and the Cover Pool Monitor are observing and performing all their obligations under any of the Programme Documents and in any notices or acknowledgements delivered in connection with any such Programme Documents.

The Mortgage Pandbrieven Holders' Representative shall not be responsible for ensuring that the Issuer complies with the obligations applicable to it under the Belgian Covered Bond Regulations or that any asset is duly registered in the Cover Register and the Cover Register is duly maintained.

Except if such meeting is convened by the Mortgage Pandbrieven Holders' Representative or the passing of a Written Resolution has been organised by the Mortgage Pandbrieven Holders' Representative, but only to the extent that any defect has arisen directly from the Mortgage Pandbrieven Holders' Representative's gross negligence, wilful misconduct or fraud, the Mortgage Pandbrieven Holders' Representative shall not be liable for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Pandbrieven Holders, even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or passing of the Written Resolution or the giving of such direction or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any meeting or the giving of the direction was not valid or binding upon such Pandbrieven Holders.

## 6.3. Indemnity

If the Mortgage Pandbrieven Holders' Representative has acted upon such resolution or direction, each Pandbrief Holder shall forthwith on demand indemnify the Mortgage Pandbrieven Holders' Representative for its *pro rata* share in any liability, loss or expense incurred or expected to be incurred by the Mortgage Pandbrieven Holders' Representative in any way relating to or arising out of its acting as Mortgage Pandbrieven Holders' Representative in respect of that resolution or direction, except to the extent that the liability or loss arises directly from the Mortgage Pandbrieven Holders' Representative's gross negligence, wilful misconduct or fraud. The liability shall be divided between the Pandbrieven Holders *pro rata* according to the respective Principal Amount Outstanding of the Mortgage Pandbrieven held by each of them respectively at the time of such resolution or direction.

#### 7. MODIFICATIONS BY THE MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE

# 7.1. Waivers

## 7.1.1. Waivers

The Mortgage Pandbrieven Holders' Representative may in its sole discretion, without the consent of the Pandbrieven Holders and without prejudice to its rights in respect of any further or other breach, condition, event or act from time to time and at any time, but only if and in so far as in its opinion the interests of the Pandbrieven Holders will not be materially prejudiced thereby:

- (a) authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Mortgage Pandbrieven Holder Representative Agreement, the Mortgage Pandbrieven or any of the Programme Documents, or
- (b) determine that any breach shall not be, or shall not be subject to specified conditions, treated as such.

Any such authorisation, waiver or determination pursuant to this clause shall be binding on the Pandbrieven Holders and notice thereof shall be given to the Pandbrieven Holders and the Rating Agencies.

## 7.1.2. Reliance

In determining whether or not any power, trust, authority, duty or discretion or any change, event or occurrence under or in relation to the Conditions or any of the

Programme Documents will be materially prejudicial to the interests of Pandbrieven Holders, the Mortgage Pandbrieven Holders' Representative shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company other than the Rating Agencies whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its gross negligence, wilful misconduct or fraud.

#### 7.2. Amendments

The Mortgage Pandbrieven Holders' Representative may upon the request of the Issuer on behalf of the Pandbrieven Holders and without the consent or sanction of any of the Pandbrieven Holders of any Series or the Other Cover Pool Creditors it represents at any time and from time to time, concur with the Issuer or any other person in making:

- (a) any modification (other than in respect of a Basic Term Change) of the terms and conditions applying to the Mortgage Pandbrieven of one or more Series (including the Conditions) or any Programme Document provided that in the sole opinion of the Mortgage Pandbrieven Holders' Representative such modification is not materially prejudicial to the interests of any of the Pandbrieven Holders of such Series; or
- (b) any modification of the terms and conditions applying to Mortgage Pandbrieven of any one or more Series (including the Conditions) or any Programme Document which is in the sole opinion of the Mortgage Pandbrieven Holders' Representative of a formal, minor or technical nature or is to correct a manifest error or to comply with applicable mandatory statutory provisions or would cause such terms and conditions of the Mortgage Pandbrieven or provision of any Programme Document to better reflect or comply with the provisions and requirements of the Belgian Covered Bond Regulations.

In no event may such modification be a Basic Term Change. The Mortgage Pandbrieven Holders' Representative shall not be bound to give notice to Pandbrieven Holders of any modifications to the Programme Documents agreed pursuant to this Clause.

The Issuer or the Cover Pool Administrator, as applicable, shall cause notice of any modification in this Clause 7.2 to be given to the Rating Agencies and the Fiscal Agent.

If, in the Mortgage Pandbrieven Holders' Representative's opinion it is not sufficiently established that the proposed amendment or variation can be approved by it in accordance with this Clause, it will determine in its full discretion whether to submit the proposal to a duly convened Meeting or to refuse the proposed amendment or variation.

Upon the Issuer's request, the Mortgage Pandbrieven Holders' Representative shall, without the consent or sanction of any of the Pandbrieven Holders, concur with the Issuer in making any modifications to the Conditions, to the Meeting Rules or to the Special Estate Administration Terms that the Issuer may decide in its discretion in order to comply with any criteria of the Rating Agency which may be published after the signing of the initial agreement(s) for the issuance of and subscription for the Mortgage Pandbrieven and in respect of which the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing that it reasonably believes such modifications are necessary to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Series of Mortgage Pandbrieven, provided that the Mortgage Pandbrieven Holders' Representative shall not be obliged to agree to any modification which, in the sole opinion of the Mortgage Pandbrieven Holders' Representative, as applicable, would have the effect of (i) exposing the Mortgage Pandbrieven Holders' Representative, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the protections, of the Mortgage Pandbrieven Holders' Representative, as applicable in these Meeting Rules or the Conditions. For avoidance of doubt, such modification may include, without limitation, modifications which

would allow any hedge counterparty and/or liquidity facility provider not to post collateral in circumstances where it previously would have been obliged to do so.

Notwithstanding the foregoing, upon the Issuer's request, the Mortgage Pandbrieven Holders' Representative shall, without the consent or sanction of any of the Pandbrieven Holders, concur with the Issuer in making any modifications to the Special Estate Administration Terms in relation to future issues of Mortgage Pandbrieven under the Programme provided that (i) the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing that it reasonably believes such modifications will not affect the then current ratings assigned by a Rating Agency to any Series of Mortgage Pandbrieven issued under the Programme and (ii) the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing that these modifications will not affect the rights of holders of Mortgage Pandbrieven already issued under the Programme, provided that the Mortgage Pandbrieven Holders' Representative shall not be obliged to agree to any modification which, in the sole opinion of the Mortgage Pandbrieven Holders' Representative, as applicable, would have the effect of (i) exposing the Mortgage Pandbrieven Holders' Representative, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the protections, of the Mortgage Pandbrieven Holders' Representative, as applicable in the Meeting Rules. For avoidance of doubt, such modification may include, without limitation, modifications which would allow any hedge counterparty and/or liquidity facility provider not to post collateral in circumstances where it previously would have been obliged to do so.

#### **PART 3 - MEETING RULES**

#### 1. MEETING ATTENDANCE

#### 1.1. General

Subject to the provisions of this Clause 1 (Meeting Attendance) the following persons may attend and speak at a Meeting:

- (a) Pandbrieven Holders and their proxies;
- (b) the chairman; and
- (c) the Issuer, the Mortgage Pandbrieven Holders' Representative, the Cover Pool Monitor the Dealers (through their respective officers, employees, advisers, agents or other representatives) and their financial and legal advisers.

#### 1.2. Proxies

Pandbrieven Holders may be represented at a Meeting by proxies authorised by a power of attorney that is duly dated and signed by a Pandbrief Holder (a **Power of Attorney**). Proxies need not to be Pandbrieven Holders.

The Issuer or the Cover Pool Administrator, as applicable, may determine the form of the Power of Attorney.

#### 1.3. Dematerialised Pandbrieven

- (a) With respect to Dematerialised Mortgage Pandbrieven, save as expressly provided otherwise herein, no person shall be entitled to attend or to vote at any Meeting unless he (1) is a proxy or (2) he produces the Voting Certificate as defined in to in Clause 8.3. (b).
- (b) **Voting Certificate** means: a voting certificate in Dutch or French (with a translation in English) issued by the Recognised Accountholder or the Securities Settlement System and dated in which it is stated:
  - (i) that on the date thereof Dematerialised Pandbrief (not being Dematerialised Mortgage Pandbrieven in respect of which a Block Voting Instruction (as defined below in Clause 8.3.(c)) has been issued and is outstanding in respect of the Meeting specified in such certificate and any such adjourned Meeting) of a specified Principal Amount Outstanding were (to the satisfaction of such Recognised Accountholder or Securities Settlement System) held to its order or under its control and blocked by it and that no such Dematerialised Mortgage Pandbrieven will cease to be so held and blocked until the first to occur of:
    - (°) the conclusion of the Meeting specified in such certification or, if applicable, any adjourned Meeting; and
    - (°°) the surrender of the certificate to the Recognised Accountholder or Securities Settlement System who issued the same; and
  - (ii) that until the release of the Dematerialised Mortgage Pandbrieven represented thereby the bearer thereof is entitled to attend and vote at such Meeting and any such

adjourned meeting in respect of the Dematerialised Mortgage Pandbrieven represented by such certificate.

- (c) **Block Voting Instruction** means a document in Dutch or French (with a translation in English) issued by the Recognised Accountholder or Securities Settlement System and dated in which:
  - (i) it is certified that Dematerialised Mortgage Pandbrieven (not being Dematerialised Mortgage Pandbrieven in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction and any such adjourned meeting) of a specified Principal Amount Outstanding were (to the satisfaction of such Recognised Accountholder or Securities Settlement System) held to its order or under its control and blocked by it and that no such Dematerialised Mortgage Pandbrieven will cease to be so held and blocked until the first to occur of:
    - (A) the conclusion of the Meeting specified in such document or, if applicable, any such adjourned Meeting; and
    - (B) the giving of notice by the Recognised Accountholder or the Securities Settlement System to the Issuer in accordance with Clause 14.3 hereof, stating that certain of such Dematerialised Mortgage Pandbrieven cease to be held with it or under its control and blocked and setting out the necessary amendment to the Block Voting Instruction;
  - (ii) it is certified that each holder of such Dematerialised Mortgage Pandbrieven has instructed such Recognised Accountholder or Securities Settlement System, that the vote(s) attributable to the Dematerialised Mortgage Pandbrief or Dematerialised Mortgage Pandbrieven so held and blocked should be cast in a particular way in relation to the resolution or resolutions to be put to such Meeting or any such adjourned meeting and that all such instructions are during the period commencing three (3) Business Days prior to the time for which such Meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof neither revocable nor capable of amendment;
  - (iii) the nominal amount of the Dematerialised Mortgage Pandbrieven so held and blocked is stated, distinguishing with regard to each resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
  - (iv) one or more persons named in such document (each hereinafter called a proxy) is or are authorised and instructed by such Recognised Accountholder or Securities Settlement System to cast the votes attributable to the Dematerialised Mortgage Pandbrieven so listed in accordance with the instructions referred to in paragraph (ii) above as set out in such document.

#### 1.4. Registered Mortgage Pandbrieven

With respect to Registered Mortgage Pandbrieven, save as expressly provided otherwise herein, no person shall be entitled to attend or vote at any Meeting unless:

(a) it appears from the register held in accordance with Article 462 et seq. of the Belgian Company Code that the relevant person is registered as a holder of Registered Mortgage Pandbrieven; or

(b) such person is authorised and instructed, by means of a Power of Attorney to cast the votes attributable to a Pandbrief Holder.

# 2. CONVENING A MEETING

#### 2.1. Initiative

## 2.1.1. Single Series

The Meeting:

- (a) may be convened by the Issuer, or upon its appointment the Cover Pool Administrator, as applicable, or the Mortgage Pandbrieven Holders' Representative; and
- (b) shall be convened by the Issuer, or upon its appointment the Cover Pool Administrator, as applicable, upon the request in writing signed by Pandbrieven Holders holding not less than one fifth of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of the relevant Series.

## 2.1.2. Multiple Series

The Mortgage Pandbrieven Holders' Representative can convene a meeting of Pandbrieven Holders of more than one Series if in the opinion of the Mortgage Pandbrieven Holders' Representative (i) the subject matter of the Meeting is relevant to the Pandbrieven Holders of each of those Series and (ii) there is no conflict between the Pandbrieven Holders of the relevant Series, in which case these Meeting Rules shall apply *mutatis mutandis*.

## 2.2. Time, Place and Notice

## 2.2.1. Time and Place

Every Meeting shall be held at a time and place approved by the Mortgage Pandbrieven Holders' Representative.

## 2.2.2. Notice

At least fifteen (15) calendar days' notice (exclusive of the day on which the notice is given and the day on which the Meeting is held) specifying the day, time and place of the Meeting shall be given to the Pandbrieven Holders in the manner provided by Condition 19 (*Notices*).

Such notice shall include the agenda of the Meeting. The agenda shall state the nature of the business to be transacted at the Meeting thereby convened and specify the terms of any resolution to be proposed. Such notice shall include a statement to the effect that Dematerialised Mortgage Pandbrieven must be held with or under the control of and blocked by (i) a Recognised Accountholder (as defined below) (ii) as the case may be, the Securities Settlement System for the purpose of obtaining Voting Certificates or appointing proxies until three (3) Business Days before the time fixed for the Meeting but not thereafter.

#### 3. CHAIRMAN

# 3.1. Appointment

The Issuer may appoint a chairman (who may, but need not be, a Pandbrief Holder). Failing such choice the Mortgage Pandbrieven Holders' Representative may appoint a chairman in writing, but if no such appointment is made or if the person appointed is not present within fifteen (15) minutes after the time fixed for the Meeting, the Meeting shall be chaired by the person elected by the majority of the voters present, failing which, the Mortgage Pandbrieven Holders' Representative shall appoint a chairman.

# 3.2. Adjourned Meeting

The chairman of an adjourned Meeting held in accordance with the provisions in Clause 5 (*Adjourned Meeting*) needs not to be the same person as was chairman at the original Meeting.

# 4. QUORUM

## 4.1. General provisions

Mortgage Pandbrieven held by the Issuer shall not be taken into account for the calculation of the required quorum in accordance with this Clause 4 (*Quorum*).

For the avoidance of doubt, any modification (regardless of whether such modification is a Basic Term Change or not), shall require the consent of the Issuer, except that no such consent shall be required in relation to a Programme Resolution.

# 4.2. Ordinary Resolutions and Extraordinary Resolutions (other than a Basic Term Change)

The quorum at any Meeting the purpose of which is to pass an Ordinary Resolution or an Extraordinary Resolution concerning matters referred to under Clauses 13.2(a) to 13.2(e), will be one or more persons holding or representing at least 50 per cent. of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of the relevant Series, or, at an adjourned meeting in accordance with the provisions of Clause 5 (*Adjourned Meeting*), one or more persons being or representing Pandbrieven Holders of the relevant Series for the time being outstanding, whatever the Series Principal Amount Outstanding of the Mortgage Pandbrieven so held or represented.

## 4.3. Basic Term Change

At any Meeting the purpose of which is to pass an Extraordinary Resolution concerning a Basic Term Change, the quorum will be one or more persons holding or representing not less than two thirds of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of such Series or, at any adjourned meeting, one or more persons being or representing not less than one third of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of such Series for the time being outstanding.

### 4.4. Programme Resolutions

The quorum at any Meeting the purpose of which is to pass a Programme Resolution concerning matters referred to under Clauses 13.3(a) to 13.3(d), will be one or more persons holding or representing at least 50 per cent. of the aggregate Principal Amount Outstanding of the Mortgage Pandbrieven of all Series taken together as a single Series, or, at an adjourned meeting in accordance with the provisions of Clause 5 (*Adjourned Meeting*), one or more persons being or representing Pandbrieven Holders for the time being outstanding, whatever the Series Principal Amount Outstanding of the Mortgage Pandbrieven so held or represented.

At any Meeting the purpose of which is to pass a Programme Resolution concerning matters referred to under Clause 13.3(e), the quorum will be one or more persons holding or representing not less than two thirds of the aggregate Principal Amount Outstanding of the Mortgage Pandbrieven of all Series taken together as a single Series, including at an adjourned meeting.

## 4.5. Non-quorate Meeting

No business (except choosing a chairman) shall be transacted at a Meeting unless a quorum as required by this Clause 4 (*Quorum*) is present at the commencement of the Meeting.

If a quorum is not present within fifteen (15) minutes from the time initially fixed for the Meeting, the Meeting shall, if convened on the request of the Pandbrieven Holders, be dissolved. In any other case it shall be adjourned in accordance with the provisions with regard to Adjourned Meetings under Clause 5 (*Adjourned Meeting*).

#### 4.6. Overview

Purpose of the meeting	Required proportion for an initial meeting to be quorate	Required proportion for an adjourned meeting to be quorate
To pass any Ordinary Resolution	50%	No minimum proportion
To pass any Extraordinary Resolution concerning matters referred to under Clauses 13.2(a) to 13.2(e)	50%	No minimum proportion
To pass any Extraordinary Resolution concerning matters referred to under Clauses 13.2(f) to 13.2(i)	Two thirds	One third
To pass any Programme Resolution concerning matters referred to under Clauses 13.3(a) to 13.3(d)	50%	No minimum proportion
To pass any Programme Resolution concerning matters referred to under Clause 13.3(e)	Two thirds	Two thirds

#### 5. ADJOURNED MEETING

### 5.1. Convening

In the event of a non-quorate Meeting (in accordance with the provisions of Clause 4.5) the chairman may with the consent of (and shall if directed by) the Meeting, adjourn the same "from time to time and from place to place" (the **Adjourned Meeting**).

The chairman may determine the time and place of the Adjourned Meeting that shall take place, not less than fourteen (14) nor more than forty-two (42) calendar days upon the original Meeting from which the adjournment took place.

Notice of any Adjourned Meeting shall be given in the same manner as for a Meeting, and such notice shall state the quorum required at the Adjourned Meeting. Subject as aforesaid, it shall not be necessary to give any other notice of an Adjourned Meeting.

## 5.2. Agenda

No business shall be transacted at any Adjourned Meeting except business which could have been transacted at the original Meeting from which the adjournment took place.

#### 6. POWERS OF MEETINGS

## 6.1. Ordinary Resolutions

A Meeting shall, subject to the Conditions and only with the consent of the Issuer, and without prejudice to any powers conferred on other persons by these Meeting Rules, have power to decide by Ordinary Resolution on any business which is not listed under Clause 6.2 (*Extraordinary Resolutions*) or under Clause 6.3 (*Programme Resolutions*).

#### 6.2. Extraordinary Resolutions

A Meeting shall, subject to the Conditions and only with the consent of the Issuer, and without prejudice to any powers conferred on other persons by these Meeting Rules, have power by Extraordinary Resolution:

- (a) to approve any modification, abrogation, variation or compromise in respect of (i) the rights of the Mortgage Pandbrieven Holders' Representative, the Issuer, the Pandbrieven Holders or any of them, whether such rights arise under the Programme Documents or otherwise, and (ii) these Meeting Rules, the Conditions, any Programme Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Mortgage Pandbrieven, other than a Basic Term Change;
- (b) to discharge or exonerate, whether retrospectively or otherwise, the Mortgage Pandbrieven Holders' Representative from any liability in relation to any act or omission for which the Mortgage Pandbrieven Holders' Representative has or may become liable pursuant or in relation to these Meeting Rules, the Conditions or any Programme Document;
- (c) to give any authority or approval which under these Meeting Rules or the Conditions is required to be given by Extraordinary Resolution;
- (d) to authorise the Mortgage Pandbrieven Holders' Representative (subject to it being indemnified and/or secured to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to waive any breach or authorise any proposed breach by the Issuer of its obligations in respect of the Mortgage Pandbrieven or to waive the occurrence of an Event of Default;
- (f) to approve any reduction or cancellation of the amount payable or, where applicable, a modification of the method of calculating the amount payable or a modification of the date of payment or, where applicable, a modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Mortgage Pandbrieven other than in accordance with the terms thereof:
- (g) to approve any alteration of the currency in which payments under the Mortgage Pandbrieven are to be made:
- (h) to approve any alteration of the quorum or majority required to pass an Extraordinary Resolution; and
- (i) to approve any scheme or proposal for the exchange or sale of the Mortgage Pandbrieven for or the conversion of the Mortgage Pandbrieven into, or the cancellation of the Mortgage Pandbrieven in consideration of, shares, stock, Mortgage Pandbrieven, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Mortgage Pandbrieven, debentures, debenture stock and/or other obligations.

## 6.3. Programme Resolutions

A Meeting shall, subject to the Conditions, and without prejudice to any powers conferred on other persons by these Meeting Rules, have power by Programme Resolution:

- (a) to appoint, remove or replace the Mortgage Pandbrieven Holders' Representative in accordance with Clause 3.2 (*Retirement and Removal*) above or a member of the management board in accordance with Clause 3.4 (*Resignation and Removal of the Management Board of the Mortgage Pandbrieven Holders' Representative*) above;
- (b) to direct the Mortgage Pandbrieven Holders' Representative to service a Notice of Default:
- (c) with the consent of the Issuer (or, if applicable, the Cover Pool Administrator on behalf of the Special Estate), to amend the Special Estate Administration Terms;
- (d) to consider the decision or proposal of the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 6° Annex III to the Credit Institutions Supervision Law; and
- (e) to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° Annex III to the Credit Institutions Supervision Law.

#### 7. VOTING

#### 7.1. General Provisions

## 7.1.1. Voting by show of hands

Every question submitted to a Meeting shall be decided in the first instance by a show of hands, then by a poll subject to the provisions of Clause 7.1.2 (*Voting by poll*).

#### 7.1.2. Voting by poll

At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman, the Issuer or the Cover Pool Administrator, as applicable, one or more persons holding Voting Certificates in respect of the Dematerialised Mortgage Pandbrieven or proxies holding or representing in the aggregate not less than 2 per cent. of the relevant Series of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven, a declaration by the chairman that a resolution has passed or not passed, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If at any Meeting a poll is so demanded, it shall be taken in such manner and (subject as hereinafter provided) either at once or after such an adjournment as the chairman directs. The result of such poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the Meeting for the transaction of any business other than the question on which the poll has been demanded.

Any poll demanded at any Meeting on the election of a chairman or on any question of adjournment shall be taken at the Meeting without adjournment.

# 7.1.3. Mortgage Pandbrieven held by the Issuer

In case Mortgage Pandbrieven are held by the Issuer, the Issuer shall not have any voting rights with respect to such Mortgage Pandbrieven.

## 7.1.4. Registered Mortgage Pandbrieven

The formalities and procedures to validly cast a vote at a Meeting in respect of Registered Mortgage Pandbrieven shall be such formalities and procedures as described by the Mortgage Pandbrieven Holders' Representative.

### 7.1.5. Equality of votes

In case of equality of votes the chairman shall have a casting vote in addition to any other votes which he may have.

## 7.2. Majority

### 7.2.1. Ordinary Resolutions

An Ordinary Resolution shall be validly passed by a simple majority of at least 50% of the aggregate Series Principal Amount Outstanding of the Series of Mortgage Pandbrieven for which votes have been cast plus one vote.

## 7.2.2. Extraordinary Resolutions

An Extraordinary Resolution shall be validly passed by a voting majority of at least two thirds of the aggregate Series Principal Amount Outstanding of the Series of Mortgage Pandbrieven for which votes have been cast.

#### 7.2.3. Programme Resolutions

A Programme Resolution shall be validly passed by a simple majority of at least 50% of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven for which votes have been cast plus one vote.

# 7.3. Voting Certificates and Block Voting Instructions regarding Dematerialised Mortgage Pandbrieven

Any vote given in accordance with the terms of a Block Voting Instruction shall be valid notwithstanding the previous revocation or amendment of the Block Voting Instruction or of any Pandbriefholder's instructions pursuant to which it was executed, provided that no confirmation in writing of such revocation or amendment shall have been received from the Securities Settlement System or Recognised Accountholder by the Issuer at its headquarters (Avenue Marnix 24, 1000 Brussels, Belgium or such other address as notified to the Pandbrieven Holders in accordance with the Conditions) by the time being 24 hours before the commencement of the Meeting or Adjourned Meeting at which the Block Voting Instruction is intended to be used.

Voting Certificates and Block Voting Instructions will only be issued in respect of Dematerialised Mortgage Pandbrieven (to the satisfaction of such Recognised Accountholder or Securities Settlement System) held to the order or under the control and blocked by a Recognised Accountholder or Securities Settlement System not less than three (3) Business Days before the time for which the Meeting or the poll to which the same relate has been convened or called and shall be valid for so long as the relevant Dematerialised Mortgage Pandbrieven continue to be so held and blocked and during the validity thereof the holder of any such Voting Certificate or (as the case may be) the proxies named in any such Block Voting Instruction shall, for all purposes in connection with the relevant Meeting, be deemed to be the holder of the Dematerialised Mortgage Pandbrieven to which such Voting Certificate or Block Voting Instruction relates and the Recognised Accountholder or Securities

Settlement System with which such Dematerialised Mortgage Pandbrieven have been deposited or to whose order or under whose control they are held or the person holding them blocked as aforesaid shall be deemed for such purpose not to be the holder of those Dematerialised Mortgage Pandbrieven .

Each Voting Certificate and each Block Voting Instruction shall be deposited at the registered office of the Issuer not less than three Business Days before the time appointed for holding the meeting or adjourned meeting at which the holder of the Voting Certificate or the proxies named in the Block Voting Instruction propose to vote and in default of such deposit the Voting Certificate or Block Voting Instruction shall not be treated as valid unless the chairman of the general meeting decides otherwise before such Meeting or Adjourned Meeting proceeds to business.

#### 8. MINUTES

#### 8.1. General

Minutes of all resolutions and proceedings at every Meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Issuer (or the Cover Pool Administrator, as applicable) and signed by the chairman and any such minutes as aforesaid shall be conclusive evidence of the matters therein contained, and until the contrary is proved each such meeting in respect of the proceedings of which minutes have been made and signed as aforesaid shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted thereat to have been duly passed or transacted.

#### 8.2. Attachments

An attendance list will be attached to the minutes.

## 8.3. Certified Copies

Certified copies or extracts of the minutes shall be signed by two directors of the Issuer (or the Cover Pool Administrator, as applicable).

## 9. BINDING RESOLUTIONS

## 9.1. Ordinary or Extraordinary Resolutions

Any Ordinary or Extraordinary Resolution passed at a Meeting duly convened and held in accordance with these Meeting Rules shall be binding on all the Pandbrieven Holders of the relevant Series, whether or not they are present at the Meeting and whether or not they vote in favour of such resolution.

# 9.2. Programme Resolutions

Any Programme Resolution passed at a Meeting of all Series duly convened and held in accordance with these Meeting Rules shall be binding on all Pandbrieven Holders of all Series, whether or not they are present or represented at the Meeting and whether or not they vote in favour of such resolution.

#### 9.3. Notice to Pandbrieven Holders

Save as the Mortgage Pandbrieven Holders' Representative may otherwise agree, the Issuer or the Cover Pool Administrator (as the case may be) shall give notice of the passing of a Resolution to the Pandbrieven Holders in accordance with Condition 19 (*Notices*), within fourteen (14) calendar days of the conclusion of the meeting, but failure to do so shall not invalidate the Resolution.

#### 10. WRITTEN RESOLUTIONS

#### 10.1. Format

Written resolutions may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Pandbrieven Holders.

#### 10.2. Thresholds

# 10.2.1. Ordinary Resolutions

A written resolution signed by the holders of 50 per cent. of the Series Principal Amount Outstanding of the relevant Series of the Mortgage Pandbrieven outstanding shall take effect as if it were an Ordinary Resolution.

## 10.2.2. Extraordinary Resolutions

A resolution in writing signed by or on behalf of holders of 75 per cent. of the Series Principal Amount Outstanding of the relevant Series of Mortgage Pandbrieven outstanding shall take effect as an Extraordinary Resolution.

## 10.2.3. Programme Resolutions

Except in relation to a Programme Resolution to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° Annex III to the Credit Institutions Supervision Law, a resolution in writing signed by or on behalf of holders of 50 per cent. of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution.

A resolution in writing to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° Annex III to the Credit Institutions Supervision Law signed by or on behalf of holders of 75 per cent. of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution.

### 11. WRITTEN RESOLUTIONS

Subject to the provisions contained in these Meeting Rules and with the consent of the Issuer, the Mortgage Pandbrieven Holders' Representative may determine, in its sole discretion, further regulations regarding the holding of Meetings of Pandbrieven Holders and attendance and voting as the Mortgage Pandbrieven Holders' Representative may determine in its sole discretion.

#### FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Tranche of Mortgage Pandbrieven issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but provides directions for completing the Final Terms.

Final Terms dated [•]

# **ING Belgium SA/NV**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Mortgage Pandbrieven] Issued under the EUR 10,000,000,000

## **Belgian Mortgage Pandbrieven Programme**

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Mortgage Pandbrieven in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Mortgage Pandbrieven. Accordingly any person making or intending to make an offer in that Relevant Member State of the Mortgage Pandbrieven may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Mortgage Pandbrieven in any other circumstances.

#### **PART A - CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended and/or supplemented and/or replaced from time to time (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the final terms of the Mortgage Pandbrieven described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Mortgage Pandbrieven is only available on the basis of the combination of this Final Terms and the Base Prospectus. The Base Prospectus [and the Supplement to the Base Prospectus] is available for viewing at the Issuer's website (www.ing.be/investor-relations) and copies may be attained from ING Belgium SA/NV, Avenue Marnixlaan 24, 1000 Brussels, Belgium.

[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in the Base Prospectus dated [*original date*] [and the supplement to the Base Prospectus dated [*date*]]. This document constitutes the final terms of the Mortgage Pandbrieven described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended and/or supplemented and/or replaced from time to time (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplement to the Base Prospectus dated [*date*]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Terms and Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Mortgage Pandbrieven is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [*original date*] and [*current date*] [and the supplement to the Base Prospectus dated

[date]]. The Base Prospectus [and the Supplement to the Base Prospectus] is available for viewing at the Issuer's website (www.ing.be/investor-relations) and copies may be attained from ING Belgium SA/NV, Avenue Marnixlaan 24, 1000 Brussels, Belgium.

[The following alternative language applies if no prospectus is required in accordance with the Prospectus Directive.]

The Final Terms do not constitute final terms for the purposes of Article 5.4 of Directive 2003/71/EC (as amended and/or supplemented and/or replaced from time to time, including the amendments of Directive 2010/73/EU) (the "**Prospectus Directive**"). The Issuer is not offering the Mortgage Pandbrieven in any jurisdiction in circumstances which would require a prospectus pursuant to the Prospectus Directive. Nor is any person authorised to make such an offer of the Mortgage Pandbrieven on behalf of the Issuer in any jurisdiction. In addition, no application has been made (nor is it proposed that any application will be made) for listing the Mortgage Pandbrieven on any stock exchange.

[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 subparagraphs.]

[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 Base Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer	:	ING Belgium SA/NV
2	(a)	Series Number:	[•]
	(b)	Tranche Number:	[•]
			(If fungible with an existing Series, details of that Series, including the date on which the Mortgage Pandbrieven become fungible).
3	Specif	ied Currency:	[•]
4		gate Nominal Amount of Mortgage rieven: [admitted to trading]	[•]
	(a)	[Series:	[•]]
	(b)	[Tranche:	[•]]
5	Issue	Price:	[•]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6	Specif	ied Denomination:	[•]
7	(a)	Issue Date:	[•]
	(b)	Interest Commencement Date:	[•]
8	(a)	Maturity Date:	[Fixed rate - specify date/Floating Rate - Interest Payment Date falling in or nearest to the relevant month and year]

(i) Business Day Convention for Maturity Date:

[Following Business Day Convention/Preceding Business Day Convention/ Not Applicable]

(ii) Additional Business Centre(s):

[•] (please specify other financial centres required

for the Business Day definition)

(b) Extended Maturity Date:

[Not Applicable][Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year, in each case falling one year after the Maturity Date]]

(i) Business Day Convention for Maturity Date:

[Following Business Day Convention/ Preceding Business Day Convention/ Not Applicable]

(ii) Additional Business Centre(s):

[•] (please specify other financial centres required for the Business Day definition)

9 Interest Basis:

(a) Period to (but excluding) Maturity
Date:

[[•]% Fixed Rate]

[Floating Rate]

[Zero Coupon]

(further particulars specified below)

(b) Period from Maturity Date to (but excluding) Extended Maturity Date:

[[•]% Fixed Rate]

[Floating Rate]

[Zero Coupon]

(further particulars specified below)

10 Redemption/Payment Basis:

[Redemption at par]/[Specify others]

11 Change of Interest Basis:

[Applicable. The Interest Basis changes from fixed to floating from and including [•]]/Not

Applicable]

[•]

12 (a) Status of the Mortgage Pandbrieven:

Belgische pandbrieven/ Lettres de gage Belges

(b) Date [Board (or similar)] approval for issuance of Mortgage Pandbrieven

obtained:]

(N.B Only relevant where Board (or similar)

authorisation is required for the particular tranche

of Mortgage Pandbrieven)

13 Method of Distribution: [Syndicated/Non-syndicated]

### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14 Fixed Rate Mortgage Pandbrief Provisions: [Applicable/Not Applicable][to and including [•]]

(a) To Maturity Date: [Applicable/Not Applicable]

(b) From Maturity Date to Extended [Applicable/Not Applicable]

Maturity Date: (If (a) and (b) are not applicable, delete the remaining sub-paragraphs of this paragraph) (c) Rate[(s)] of Interest: (i) To Maturity Date: annum [payable [annually/semi-[•]% annually/quarterly/monthly/other (specify)] arrear] (ii) From Maturity Date [Not Applicable] [•]% per annum [payable **Extended Maturity Date:** [annually/semi-annually/quarterly/monthly/other (specify)] in arrear] (d) Interest Period End Date(s): (i) To Maturity Date: [●] in each year, starting on [●], up to and including the [•] (ii) From Maturity [Not Applicable][●] in each year, starting on [●], Date **Extended Maturity Date:** up to and including [●] (NB: This will need to be amended in the case of long or short coupons) (e) **Business** Day Convention for Interest Period End Dates: (i) To Maturity Date: [Following Business Day Convention/Preceding Business Day Convention/Not Applicable] (ii) From Maturity Date [Not Applicable] [Following Business Dav **Extended Maturity Date:** Convention/Preceding **Business** Day Convention/Not Applicable] (f) Interest Payment Date(s): (i) To Maturity Date: [[●] in each year up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates] (ii) From Maturity Date [Not Applicable] [[•] in each year up to and **Extended Maturity Date:** including the Extended Maturity Date, if applicable]/[Interest **Payment Dates** will correspond to Interest Period End Dates] Fixed Coupon Amount[(s)]: (g) (i) To Maturity Date: [•] per 100,000 of Principal Amount Outstanding (ii) From Maturity Date up to [Not Applicable] [•] per 100,000 of Principal **Extended Maturity Date: Amount Outstanding** (h) Broken Amount(s):

[•] per Calculation Amount payable on the

Interest Payment Date falling [in/on] [•]

To Maturity Date:

(i)

(ii) From Maturity Date up to Extended Maturity Date:

[Not Applicable] [•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]

Business Day Convention for Interest Payment Dates:

[Following Business Day Convention/Preceding

(i) To Maturity Date: [Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

(ii) From Maturity Date to [Not Applicable] [Following Business Day Extended Maturity Date: Convention/Preceding Business Day Convention/Not Applicable]

(j) Additional Business Centre(s):

(i) To Maturity Date: [●] (please specify other financial centres required for the Business Day definition)

(ii) From Maturity Date to [Not Applicable] [●] (please specify other financial Extended Maturity Date: centres required for the Business Day definition)

(k) Day Count Fraction:

(i)

(i) To Maturity Date: (Specify one of the options listed below)

[Actual/Actual (ICMA)]

[[Actual/Actual] or [Actual/Actual] (ISDA)]

Actual/365 (Fixed)

Actual/360

[30/360] or [360/360] or [Bond Basis]

[[30E/360] or [Eurobond Basis]]

[30E/360] (ISDA)

1/1

(ii) From Maturity Date to [Not Applicable] (Specify one of the options listed Extended Maturity Date: below)

[Actual/Actual (ICMA)]

[[Actual/Actual] or [Actual/Actual] (ISDA)]

Actual/365 (Fixed)

Actual/360

[30/360] or [360/360] or [Bond Basis]

[[30E/360] or [Eurobond Basis]]

[30E/360] (ISDA)

(see Condition [•] for alternatives)

- (I) Determination Date:
  - (i) To Maturity Date: [●] in each year
  - (ii) From Maturity Date to Extended Maturity Date:
- [Not Applicable] [•] in each year

[Insert regular Interest Period End Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]

(This will need to be amended in the case of regular Interest Period End Dates which are not of equal durations)

(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))

- (m) Other terms relating to the method of calculating interest for Fixed Rate Mortgage Pandbrieven:
- [ullet]
- 15 Floating Rate Mortgage Pandbrief Provisions:

[Applicable/Not Applicable] [from and including [•]]

(a) To Maturity Date:

[Applicable/Not Applicable]

(b) From Maturity Date to Extended Maturity Date:

[Applicable/Not Applicable]

(If (a) and (b) are not applicable, delete the remaining sub-paragraphs of this paragraph)

- (c) Interest Period End Dates:
  - (i) To Maturity Date:
- [ullet] in each year, starting on [ullet], up to and including the [ullet]
- (ii) From Maturity Date Extended Maturity Date:
- [Not Applicable][●] in each year, starting on [●], up to and including [●]

(NB: This will need to be amended in the case of long or short coupons)

- (d) Business Day Convention for Interest Period End Dates:
  - (i) To Maturity Date:

[Floating Rate Convention/Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

(ii) From Maturity Date Extended Maturity Date:

to [Not Applicable] [Floating Rate Convention/Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

[[ullet] in each year, starting on [ullet], up to and (i) To Maturity Date: including the Maturity Date] [Interest Payment Dates will correspond to Interest Period End **Dates**1 [Not Applicable] [[•] in each year, starting on [•], (ii) From Maturity Date **Extended Maturity Date:** up to and including the Extended Maturity Date] [Interest Payment Dates will correspond to Interest Period End Dates] (f) **Business** Day Convention for Interest Payment Dates: (i) To Maturity Date: [Floating Rate Convention/Following Business Convention/Preceding **Business** Dav Convention/Not Applicable] [Not Applicable] Rate (ii) From Maturity Date [Floating to **Extended Maturity Date:** Convention/Following **Business** Day Convention/Preceding **Business** Day Convention/Not Applicable] Additional Business Centre(s): (g) [ullet] (please specify other financial centres (i) To Maturity Date: required for the Business Day definition) [Not Applicable] [●] (please specify other financial (ii) From Maturity Date **Extended Maturity Date:** centres required for the Business Day definition) Manner in which the Rate(s) of (h) Interest is/are to be determined: (i) To Maturity Date: [Screen Rate Determination **ISDA Determination**1 Maturity [Not Applicable] [Screen Rate Determination / (ii) From Date to **Extended Maturity Date:** ISDA Determination] (i) Party responsible for calculating the Rate of Interest and Interest Amount: To Maturity Date: (Give name and address) (i) [Not Applicable] (Give name and address) (ii) Maturity Date **Extended Maturity Date:** (j) Screen Rate Determination: [Applicable/Not Applicable] (i) To Maturity Date: Reference Rate: [•]/[Specify Others] (Insert Euribor) Interest Determination [•] [the second day on which the TARGET2

(e)

**Interest Payment Dates:** 

		Date(s):	System is open prior to the start of each Interest Period]
		Relevant Screen Page:	[•]
			(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
		Relevant Time:	[•]
		Relevant Financial Centre:	[•]
	(ii)	From Maturity Date to Extended Maturity Date:	[Not Applicable]
		Reference Rate:	[•]/[Specify others]
			(Insert relevant Euribor)
		Interest Determination Date(s):	[•] (the second day on which the TARGET2 System is open prior to the start of each Interest Period)
			N.B. Specify the Interest Determination Date(s) up to and including the Extended Maturity Date, if applicable
		Relevant Screen Page:	[•]
			(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
(k)	ISDA	Determination:	
	(i)	To Maturity Date:	[•]
		Floating Rate Option:	[•]
		Designated Maturity:	[•]
		Reset Date:	[•]
	(ii)	From Maturity Date to Extended Maturity Date:	[Not Applicable]
		Floating Rate Option:	[•]
		Designated Maturity:	[•]
		Reset Date:	[•]
(I)	Margi	n(s):	

(i) To Maturity Date: [+/-][•]% per annum

(ii) From Maturity Date to [Not Applicable] [+/-][•]% per annum Extended Maturity Date:

(m) Minimum Rate of Interest:

(i) To Maturity Date: [Not Applicable] [●]% per annum (this Minimum

Rate of Interest cannot be below zero)

(ii) From Maturity Date to [Not Applicable] [•]% per annum (this Minimum Extended Maturity Date: Rate of Interest cannot be below zero)

(n) Maximum Rate of Interest:

(i) To Maturity Date: [Not Applicable] [●]% per annum

(ii) From Maturity Date to [Not Applicable] [•]% per annum Extended Maturity Date:

(With respect to any Interest Period, insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate

of Interest)

(o) Day Count Fraction:

(i) To Maturity Date: (Specify one of the options listed below)

[[Actual/ Actual] or [Actual/Actual] (ISDA)

Actual/365 (Fixed)

Actual/360

[30/360] or [360/360] or [Bond Basis]

[30E/360] or [Eurobond Basis]

30E/360 (ISDA)

1/1

(ii) From Maturity Date to [Not Applicable] (Specify one of the options listed Extended Maturity Date: below)

[[Actual/ Actual] or [Actual/Actual] (ISDA)

Actual/365 (Fixed)

Actual/360

[30/360] or [360/360] or [Bond Basis]

[30E/360] or [Eurobond Basis]

30E/360 (ISDA)

(See Condition [•] for alternatives)

16 Zero Coupon Mortgage Pandbrief Provisions:

[Applicable/Not Applicable][up to and including the Maturity Date]

(If not applicable, delete the remaining

sub-paragraphs of this paragraph)

(a) Accrual Yield: [●]% per annum

(b) Reference Price: [●]

(c) Business Day Convention: [Floating Rate Convention/Following Business

Day Convention/Preceding Business Day

Convention/[specify other]]

(d) Additional Business Centre(s): [●] (please specify other financial centres required

for the Business Day definition)

(e) Day Count Fraction in relation to Early Redemption Amounts and late

Conditions [•] and [•] apply/specify other]

17 Final Redemption Amount of each

Principal Amount Outstanding/specify other/[•]

per Calculation Amount

18 Early Redemption Amount:

payments:

Mortgage Pandbrief:

Early Redemption Amount(s) per 100,000 of Principal Amount Outstanding payable on redemption for taxation reasons, illegality or on event of default or other early redemption:

[[•]/Condition [•] applies]

Notice Period:

19 Form of Mortgage Pandbrieven: [Dematerialised Mortgage Pandbrieven /

[•]

Registered Mortgage Pandbrieven]

20 Additional Financial Centre(s) or other special provisions relating to [Interest

Payment Days]:

[Not Applicable/give details]. Mortgage Pandbrief that this item relates to the date and place of payment, and not interest period end dates, to

which items [15 (j)relate]

21 Redenomination, renominalisation and [Redenomination [not] applicable]

GENERAL PROVISIONS APPLICABLE TO THE MORTGAGE PANDBRIEVEN

reconventioning provisions:

(If redenomination is applicable, specify the terms of the redenomination in an annex to the Final

Terms)

22 [Consolidation provisions:] [Not Applicable/The provisions [in Condition [•]

([•])] apply]

23 Other final terms: [Not Applicable/give details] (When adding any

other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under

Article 16 of the Prospectus Directive.)

#### **DISTRIBUTION**

24 (a) If syndicated, names of Managers: [Not Applicable/give names, addresses and

underwriting commitments]

(b) Date of Subscription Agreement: [●]

(c) Stabilising Manager(s) (if any): [Not Applicable/give name and address]

25 If non-syndicated, name of relevant Dealer: [Not Applicable/give name and address]

26 U.S. Selling Restrictions: [The C Rules are applicable / The C Rules are

not applicable]

27 Additional selling restrictions: [Not Applicable/give details]

## **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for the issue [and admission to trading on [the regulated market of Euronext Brussels][specify relevant regulated market] of the Mortgage Pandbrieven described herein pursuant to the EUR 10,000,000,000 Residential Mortgage Pandbrieven Programme of ING Belgium SA/NV.

#### **STABILISATION**

In connection with this issue, [insert name of Stabilising Manager(s)] (the **Stabilising Manager(s)**) (or any person acting for the Stabilising Manager(s)) may over-allot or effect transactions with a view to supporting the market price of the Mortgage Pandbrieven at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager(s) (or any agent of the Stabilising Manager(s)) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with the applicable recommendation of the International Capital Markets Association (ICMA).

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [(Relevant third party information) has been extracted from [(specify source)]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:_		
•	Duly authorised	

#### **PART B - OTHER INFORMATION**

#### 1 LISTING AND ADMISSION TO TRADING

(a) Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Mortgage Pandbrieven to be admitted to trading on the regulated market of the [specify relevant regulated market (for example Euronext Brussels, the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange) and if relevant, admission to an official list (for example, the Official List of the U.K. Listing Authority)] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Mortgage Pandbrieven to be admitted to trading on the specify relevant regulated market (for example Euronext Brussels, the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange) and if relevant, admission to an official list (for example, the Official List of the U.K. *Listing Authority*)] with effect from [•].] [Not Applicable.]

(b) Listing:

(Where documenting a fungible issue need to indicate that original Mortgage Pandbrieven are already admitted to trading.)

(c) Estimate of total expenses related to admission to trading:

[•]

#### 2 RATINGS

Ratings:

The Mortgage Pandbrieven to be issued have been rated:

Fitch

Moody's

[[Other]: [•]]

(The above disclosure should reflect the rating allocated to Mortgage Pandbrieven of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[•/•] [is/are] established in the European Union and [is/are] registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC)No.1060/2009), as amended. As such [•/•] [is/are] included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

[Other] is established in the European Union and [has made an application to be (but as at the date hereof is not)]/[is] registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC)No.1060/2009), as amended

#### 3 [HEDGING AGREEMENT

Hedging Agreement Provider: [•]

Nature of Hedging Agreement: [•]]

#### [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER] 4

[Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Mortgage Pandbrieven has an interest material to the offer."] Amend as appropriate if there are other interests

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

#### REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES 5

Reasons for the offer: [•]

Estimated net proceeds: [•]

Estimated total expenses: [•]

#### 6 **YIELD (Fixed Rate Mortgage Pandbrieven Only)**

Indication of yield: [•]

> [The yield is calculated on the basis of the Issue Price, the Rate of Interest applicable from and including the Interest Commencement Date until and excluding the Maturity Date, and the Final Redemption Amount. It is not an indication of future yield.]

#### **OPERATIONAL INFORMATION** 7

ISIN Code: [•]

Common Code: [•]

(insert here any other relevant codes such as CINS codes):

[•]

Any clearing system(s) other than the Securities Settlement System, Euroclear Bank S.A./N.V. and Clearstream Banking, société relevant anonyme and the identification number(s):

[Not Applicable/give name(s) and number(s)]

Delivery [against/free of] payment Delivery:

Names and addresses Registrar (if different than Issuer): [•]

Names and addresses of initial Paying Agent(s):

ING Belgium SA/NV, Avenue Marnix 24, 1000 Brussels, Belgium

Names and addresses of additional Paying Agent(s) (if other than the Issuer):

[•]/Not Applicable

Name and address of the Calculation Agent (if any):

[•]

Names and addresses of the Fiscal (if any):

ING Belgium SA/NV, Avenue Marnix 24, 1000 Brussels, Belgium

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes][No] [Note that the designation "yes" simply means that the Mortgage Pandbrieven to be held in a manner which would allow Eurosystem eligibility and does not necessarily mean that the Mortgage Pandbrieven will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

# **USE OF PROCEEDS**

The net proceeds from each issue of Mortgage Pandbrieven will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## OVERVIEW OF BELGIAN HOUSING AND MORTGAGE MARKET

## **Demographics**

Belgium has 11.2 million inhabitants on a surface of only 30,528 km², thereby being the third most densely populated country in Europe after Malta and the Netherlands. The number of households increased by approximately 37.700 per annum over the past decade and is expected to grow by approximately 27.800 per annum in 2020-2060. However, due to the refugee crisis, the Planbureau is expecting the number of households to increase by 46.000 a year in 2016-2018 (Source: Projections démographiques 2016-2060 de mars 2016: <a href="http://www.plan.be/databases/database\_det.php?lang=fr&ID=49">http://www.plan.be/databases/database\_det.php?lang=fr&ID=49</a>). The number of households though has been growing faster than the population, reflecting a trend towards more single-person households and elderly people living independently (Source: Eurostat and Belgostat).

Especially the regions of Brussels and Flanders are densely populated. This has led to a scarcity of building plots. As a consequence the average size of building plots sold for construction has decreased by 7% since 2002. However, this drop in size did not compensate for a quickly increasing land price (price per square meters has multiplied by four in Flanders between 2000 and 2012) (Source:

ADSEI/DGSIE house price database:

http://economie.fgov.be/nl/modules/publications/statistiques/economie/downloads/bouw en industrie verkoop onroerende goederen.jsp). The same kind of movement has been observed in Wallonia, but at a lower scale, especially as some southern provinces remain rural and far from economic centres. These two regions are therefore very different from that point of view.

## Belgian economic situation<sup>1</sup>

During the last decade, the Belgian economy performed reasonably well. After the slowdown of 2001-02, Belgium performed strongly in the subsequent years, as economic activity picked up supported by supportive macroeconomic policies and a benign global economic environment. However, the economic picture changed drastically as the financial crisis struck: in 2009, Belgium's GDP growth was -2.3%, which was still better than the Euro area average GDP decline of 4.4% (Source: National Economic statistic database of the NBB: http://stat.nbb.be).

Belgium succeeded well in its return to growth in 2010, with GDP growth of +2.7%, and sustaining growth in 2011, at +1.8%, in both years outperforming the Euro area average (Source: National Economic statistic database of the NBB: http://stat.nbb.be/). The Belgian economy was even able to avoid the second wave of the crisis in the euro area in 2012 (GDP growth: 0.2% YoY).

Since 2013, Belgian GDP growth continued to reach positive levels (1.4% in 2015). However, GDP growth remains slightly below the potential growth of the economy (Cf. Fig. 1). Looking at the GDP details, (weak) growth since 2012 was in the first stage driven only by net exports. The fact that Germany is the main trading partner of Belgium explains part of this fact, as Germany performed quite well all over this period.

In a second stage (starting in the middle of 2013), economic growth has also been supported by domestic demand. Since the beginning of 2013, it has grown by nearly 3.2 %. The consumption recovery is partly explained by a decline in the saving rate (it is around 13% of disposable income), the modest growth of employment and income and, more recently, by lower energy cost, freeing some purchasing power for households. However, the situation of the labor market is far from being rosy. Indeed, the unemployment rate, which so far resisted the economic and financial crisis (unemployment has peaked at 8.6% in July 2010 and dropped back to 6.9% in April 2011, following Eurostat), is now stabilising again around 8.0% in January 2015.

Moreover, it is interesting to know that corporate investment made also strong progress over the last year. The capacity utilisation rate<sup>2</sup> in the industrial sector is currently at 80.0%, supporting companies

<sup>&</sup>lt;sup>1</sup> Source: ING evaluation based on NBB figures.

<sup>&</sup>lt;sup>2</sup> In economic statistics, capacity utilisation is normally surveyed for goods-producing industries at plant level. The results are presented as an average percentage rate by industry and economy-wide, where 100% denotes full capacity. This rate is also

to invest more. Moreover, one has observed that in 2014, corporate investment has increased a lot (by 8.0%). Even if part of this strong growth is due to particular investment in the shipping industry, it reveals that companies are confident enough to invest.

Looking ahead, the slow recovery of the Belgian economy should continue in 2016, partly helped by jobs creation. That said, a further decline in the saving rate would also be necessary to support the further improvement of private consumption.

In 2014, the government was not able to reduce the nominal budget deficit, that even increased to 3.1% of GDP. Having said that, the current government started to implement several reforms in order to keep public finances on track. However, despite some reduction of the structural public deficit (Eurostat definition), the budget deficit remains close to 3.0% of GDP. A budget equilibrium is not expected before 2019.

Belgium's average inflation rate reflected by the Harmonized Indices of Consumer Prices over 2011 and 2012 was respectively 3.4% and 2.6% (Source: National Economic statistic database of the NBB: http://stat.nbb.be/), above the EZ18's 2.7% and 2.5% (Source: Eurostat: http://ec.europa.eu/eurostat/web/hicp/data/database). Since 2013, inflationary pressures remained very contained, and inflation dropped to a lowest level of -0.6% in January 2015, mainly as a consequence of low oil price. Currently, inflation is around 1.5% (a higher level than the EZ average), parlty as a consequence of VAT increase on electricity (implemented in September 2015).

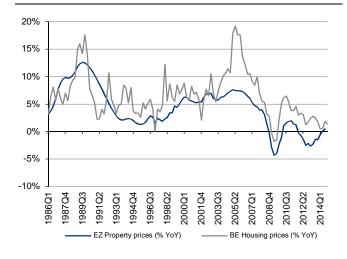
## Mortgage market actors

In the nineties, the Belgian banking landscape changed from being dominated by public credit institutions to a consolidated environment controlled by a handful of major banking groups. The four biggest players, Belfius Bank, BNP Paribas Fortis, ING and KBC Bank, control about 70% of the mortgage lending market, whereas other credit and financial institutions (smaller banks, insurance companies, savings banks) and mortgage facilitators cover the remainder. Since 1999, foreign lending institutions have been authorised to grant mortgage credit in Belgium. However, the entrance of new participants has not intensified the competition, as low margins (common among the local institutions) appear to have discouraged foreign competitors.

Fig 1Belgian growth remains subdued



Fig 2 Eurozone (EZ) and BE home prices (nominal - % YoY)



Source: Thomson Reuters, ING

Source: DGSIE (BE Federal Ministry of Economy), ECB

## The Belgian real estate market

sometimes called the "operating rate". If the operating rate is high, this is called "undercapacity", while if the operating rate is low, a situation of "excess capacity" or "surplus capacity" exists.

Among European real estate markets, the Belgian real estate market has shown some resistance in recent years. Though it evolves in line with the European cycle (Cf. Fig. 2), it avoided a straightforward correction until now. Moreover, it is one of the few real estate markets where real prices actually increased since 2007 by 0.6% a year on average. In nominal terms, prices have gained 20.6% since 2007 (2014 compared to 2007 average) and are double their 2002 value.

Fig 3 Belgian prices continued to grow during the first 5 years of the crisis

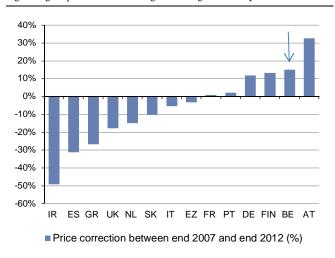
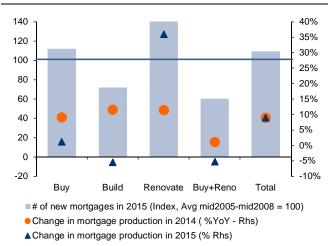


Fig 4 Recent mortgage market development



Source: National economic statistic database of the NBB: <a href="http://stat.nbb.be/">http://stat.nbb.be/</a> (Survey on mortgage destination)

Source: ECB housing price database: https://sdw.ecb.europa.eu/browse.do?node=2120781

Since 2008, home price growth has been subdued from a historical point of view: there was a 5.6% price correction between mid-2008 and mid-2009, which was recouped in 2010. Prices then increased by 3.7% (equal to the inflation rate) in 2011. In 2012 and 2013, nominal prices increased by 2.3% per year, but growth scaled back to only 0.7% in 2014. Since 2008, the yearly growth average has barely reached 2% while it was 9.2% in the decade 1998-2007. Note that no official data will be available for 2015 before the summer 2016 due to technical problems at the Federal office. However, based on mortgage statistics, it can be said that prices reacted much more moderately to the strong interest rate drop than what could have been expected and probably increased by 2% to 3%.

## The Belgian mortgage market (for existing home purchase)<sup>3</sup>

The main subsector of the Belgian mortgage market continues to be the mortgage market for existing home purchases (53% of new mortgages loans in 2015). In 2015, around 9,700 of these mortgages were provided each month (which makes it the best year of production ever after 2014). 2014 was special because of a fiscal change in Flanders (December 2014 saw twice as much transactions as a normal month, which accidentally put 2014 well above the average in terms of production). Without this phenomenon, 2014 would have been (together with 2009) the weakest year of production since 1995.

In terms of volumes, the mortgage market (for existing home purchase) was 16.7 Bn€ in 2015, equivalent to the volume reached in 2014. Again, 2014 volumes were exceptional (+15% after two years of contraction) and only the attractiveness of still lower interest rates can explain that the market sustained such a high level in 2015.

<sup>&</sup>lt;sup>3</sup> Source: National economic statistic database of the NBB: <a href="http://stat.nbb.be/">http://stat.nbb.be/</a> (Survey on mortgage destination)

Fig 5 Mortgages, prices and financial assets

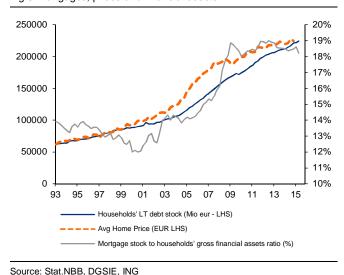
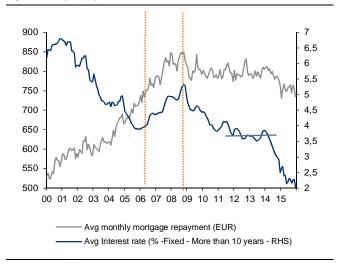


Fig 6 Monthly repayments and rates



Source: Stat.NBB, DGSIE, ING

On other markets (new building and transformations), the mortgage market followed a similar pattern in 2014: the fiscal change in Flanders also triggered the anticipation of several projects, making volumes increase by 17% (to almost 4 Bn€, a record) for new building projects and 12.3% (to 2..4 bn€) for renovation projects. It has to be noted that the building sector has still not recovered from the crisis with building volumes in 2014 still being well under 2006 levels in the three regions (respectively 5.6%, 20.1%, 27.1% lower than in 2006 in Flanders, Wallonia, and Brussels). On the mortgage market, these results were not maintained in 2015, which saw a 11% drop in volumes despite lower interest rates. In parallel however, mortgages for renovation purposes continued to rise on the back of low interest rates, by 22.3% in 2015. All in all, the mortgage market declined by 0.2% in volumes in 2015 after its exceptional growth of 14.5% in 2014, which is not to be repeated. Finally, one has to note that mortgage refinancing reached uneprecedented levels in 2015, with 10.2Bn€ of refinanced

mortgages which represents more than the three previous years taken together.

Important capital transfers towards the real estate market also underline that Belgium is a country with one of the highest savings rates in Europe (13.8% in 2014 - Source: National economic statistic database of the NBB: http://stat.nbb.be/ (Sector Accounts)). This is particularly important as the borrower bears full responsibility for the mortgage on all of his/her assets and not just the underlying property. As Belgian households' assets are among the highest in Europe, this makes the total mortgage market relatively small compared to the financial assets of Belgians: total long term liabilities of Belgian households increased as a share of their gross financial assets from 14% in the decade preceding 2002 towards 19% in 2012. Even if this was historically high for Belgium, it was one of the lowest rates in the Eurozone. Since then, it has decreased somewhat (18% at the end of 2015 – Figure 5). This explains the relatively low default rate: at the end of 2014 only 33,700 mortgage loans (out of 2,900,013 existing contracts or 1.2% - Source: National economic statistic database of the NBB: http://stat.nbb.be (Financial Statistics)) were delinquent. This rate has been stable for more than a decade, even if a minority of riskier categories (longer maturities with higher loan to value ratios) have default rates thought to be higher.

## Housing market outlook

The Belgian real estate market is regularly top-listed by the OECD World Economic Outlook as the most overvalued in the industrial world (in the range of 20 to 25%) because the price-to-income and price-to-rent ratios have never been so much above their historical average. According to ING's measure of real estate affordability, it has never been as difficult to purchase a home for a Belgian resident as in 2008. This has raised worries of a potential correction among investors and mortgage issuers in Belgium ever since, to the point that the National Bank of Belgium itself is now calling for even more caution from lenders, although they already are among the most cautious in the world. It

should be noted that thanks to stagnating prices and declining interest rates, affordability has increased somewhat since 2008.

As one of the main mortgage issuers in the country, ING4 has developed a view on this situation, which mitigates the OECD perspective and is summarized hereafter. It is possible to explain the growing gap between income and prices through several factors that were responsible for exceptional price developments in the 2000s. However, the current situation is certainly at a fragile equilibrium, because of those very factors.

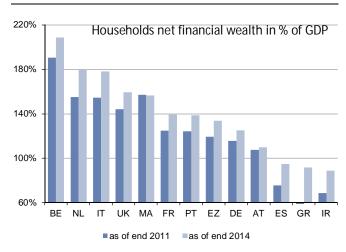
During the years 2000-2008, house price increases saw an acceleration. This exceptional period of high growth rates (responsible for most of today's measures of overvaluation) can be explained by three factors. Firstly, financial conditions were easier in the 2000s (the rates were decreasing and maturities were lengthening from less than 20 years towards 25) and households used this to increase their leverage so that their monthly repayments increased throughout the period (by 38% between 2002 and 2008 - CF. Fig 6). Since 2008, they have been decreasing very slowly (by less than 0.5% per year between 2008 and 2014) because of stagnating incomes and despite lower interest rates. Secondly, fiscal conditions were easier in the 2000s for borrowers and investors (who were favored by the DLU (Déclaration Libératoire Unique) - a fiscal operation consisting of repatriating undeclared money in Belgium at a special tax rate which was lower if this money was invested in real estate). More details to be found in the section "Tax system". Thirdly, starting in 2004 (when the tax law on donations was revised), buyers continuously increased their own capital contribution: from 20% of the average sold home value in 2004, it reached an average of 40% in 2013 (Cf. Fig 7), making it even more difficult for those without enough savings to access the real estate market.

Fig 7 Personal capital contribution has been growing



Source: NBB. DGSIE. ING

Fig 8 Net financial wealth of European households



Source: Eurostat AMECO database:

europa.eu/economy\_finance/ameco/user/serie/SelectSerie.cfm

These three factors fully explain why prices have been able to distance themselves from incomes during the booming years (until 2008). Since then, own capital contributions have remained elevated, without growing further while interest rates reached a first kind of floor between November 2011 and March 2014 (an historical low of 3.7% on fixed mortgage interest rates of more than 10 years). These stagnations explain why house price growth has remained quite limited between 2009 and 2014 (0.8% per year on average in real terms).

<sup>&</sup>lt;sup>4</sup> The ING Focus real estate is an ING research publication released twice a year and available on https://about.ing.be/Over-ING/Publicaties/Publicaties/ING-Focus-Belgian-Real-Estate-BRE.htm.

Since March 2014 however, ECB's monetary policy pushed long-term interest rates even lower, with the average fixed mortgage interest rates (of more than 10 years) dropping by 170bp to 2.0% in December 2015. Last time a more than 100bp drop in interest was observed, it was in early 2006 and price growth was roaring at more than 11% a year. This time around, the effect will not be entirely translated to prices. Indeed, the average monthly repayment decreased in 2015, leaving space for only a limited jump in average mortgage amounts. These increased significantly for the first time since 2006 though, by 3.7% and 3.9% respectively in 2014 and 2015, which should give rise to some price acceleration in 2015 and 2016. This has already triggered a warning by the NBB, saying that the price increase of 2015, coupled with the lower borrowing capacity of households due to to the fiscal changes, had probably increased the market price overvaluation by around 8pp.

Looking forward, financial conditions are not going to improve any longer: maturities are shortened and the costs of Basel III will have to be incorporated in interest margins. Moreover, reference interest rates could also be raised in Frankfurt at some point after 2017.<sup>5</sup> All these elements point to higher interest rates on mortgage loans, which are currently at an all-time low of 2.0% on average (fixed rates, maturities longer than 10Y). It is estimated that for each 100bp of higher rates, the borrower loses 9% of purchasing power. A 9% (per 100bp increase) can be translated into a drop in prices when the home owner is not able to compensate this loss with their own capital contribution.

Capital contribution will therefore have to increase if interest rates move upwards (if households prove unable to increase their monthly repayments because of their budget constraint, they will have to bring in more capital than before to complete a given purchase). However, there is a concern that the scope for further capital contribution growth is limited. Indeed, the share of borrowers that actually have a considerable capital contribution is approximately one third (of all home buyers). This means that this third engine of house prices (capital contribution growth) relies mainly on investors who have already made a large capital contribution (that a tighter fiscal environment could discourage, together with a return of risk appetite). It also relies strongly on future (young) owners' parents (who help their children when they buy a home), which are also discouraged by the lengthening of their life expectation and the rise in their living expenses.

To conclude, the Belgian real estate market has proven to be resilient to the economic shocks of the last years and has been continuously seen by many as a safe-haven investment opportunity. However, the risks for the future are on the downside, especially for the 2017-2019 period which, ING Economic Department believes, will bring an unfavourable mix of investor discouragement, higher mortgage interest rates and a less favourable fiscal environment (see below). In this context, we do not believe that the 1999-2008 historical price development will be repeated any time soon and that a correction - in real terms – is likely on the 2009-2020 period.

#### Household debt and net financial asset position

The overall debt ratio of Belgian households increased to 62.1% of GDP in Q4 2014, from 47.2% at the end of 2007. According to the National Bank of Belgium (NBB Financial Stability Review 2014 (pp112-151)), three main factors have contributed to this increased indebtedness: (i) an increase in the number of mortgage loans outstanding, (ii) an increase in the average amount of new mortgage loans, and (iii) a decline in the rate of amortisation of the outstanding stock.

Belgian households have a very high net financial asset position, in comparison with other Euro area countries. The net financial asset position is calculated as the difference between the financial assets and the financial liabilities of households. 'Financial assets' comprise deposits and savings accounts, investments in bonds, etc. Real estate is not taken into account. 'Financial liabilities' refer to loans, debit amounts on an account, etc. Please see "Financial Stability Review" as published by the NBB for more information and Figure 5.

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<sup>&</sup>lt;sup>5</sup> ING's views on major interest rates developments are updated every month in an international publication available here: <a href="https://about.ing.be/About-ING/Publications/Publications/Monthly-Economic-Update.htm">https://about.ing.be/About-ING/Publications/Publications/Monthly-Economic-Update.htm</a>.

## Tax system

For a large part, Belgian households live in their own properties, which is due to a tax system that encourages home ownership. In 2011, it had an owner occupation rate of more than 70%, which is higher than the EU average of 68.9% in 2009.

The tax system has since long been promoting home ownership, but between 2005 and 2014 the system had become even more favourable for Belgians' primary residence. Interest payments, principal redemptions and insurance premiums were all deductible for up to EUR 2,300 per person per year (amount for the tax year 2013). On top of this, this ceiling is increased by EUR 730 per person per year (amount for the tax year 2013) in the first ten years of the mortgage loan.

This system led to more mortgage financing for house purchases. Before 2005, around 80% of purchases of existing homes were financed at least in part by a mortgage loan. Since 2005, this has increased to more than 90%. (Source: National economic statistic database of the NBB: <a href="http://stat.nbb.be/">http://stat.nbb.be/</a> (Survey on mortgage destination))

However, fiscal conditions have changed dramatically on January 1st 2015. Indeed, as part of the political agreement on a State reform reached in 2011, the Regions (i.e., Flanders, Wallonia and Brussels) became competent for tax incentives (including tax reductions and tax credits for mortgage loans) regarding the purchase of own dwellings as of July 2014. Flanders decided to limit the deductible amount to 2280 EUR during the first 10 years (minus 730 EUR after 10 years) and to change the deduction rate to 40% (before, it was linked to the marginal tax rate, 50% or 45% in most cases). Wallonia decided to change the deduction rate to 40% for the year 2015. This should have an impact of 10%-15% (in Flanders) on most buyers' ability to borrow. We expect that this effect will be partly transmitted to home price growth during the next few years. In 2015 however, lower interest rates should still have helped buyers to mitigate the effects.

More changes intervened in Wallonia in 2016 which considerably increased its budget cuts by changing the form of the fiscal advantage. It becomes the 'cheque habitat", a fiscal reduction (each borrower can have 20 cheques during his/her lifetime) that depends on people's incomes (the larger the income, the lower the cheque) and the house value. The shock on people's ability to borrow should range from 10% (for lowest incomes) to 20% (for higher income), affecting prices already in 2016.

In Brussels, the fiscal advantage should disappear altogether in 2017, which brings a net present value cost of around 50,000€ for every future borrower compared with the system valid until 31/12/2016.8 This loss is compensated partially (and not for all types of buyers) by a reduction in registration tax of around 15,000€ This should trigger a very strong activity in the Brussels market in 2016, followed by less dynamic years, both in terms of transaction and home price growth.

In recent years, there was also a favourable treatment for other properties (for example second homes). This change in the mortgage deduction was preceded by a tax amnesty in 2004. Illegal offshore money could be legalised by paying a fee of 9%. The fee was lowered to 6% if the money was reinvested in certain assets. Money reinvested in the purchase, construction or renovation of real estate also qualified for the lower fee of 6%. This tax amnesty led to a surge in house prices in 2004-2005, as legalised money was largely invested in Belgian real estate.

Between 1 January 2009 and 31 December 2011, another tax incentive led to a sharp increase in the number of mortgage loans. As part of a fiscal stimulus package, a favourable tax regime for "green loans" was introduced. The sole purpose of these loans was the financing of pre-defined energy-saving investments (e.g. replacing or maintenance of heating system; solar panels; double glazed windows; insulation of roofs, floor or walls; thermostatic valves; energy audits; etc.). For loan amounts between EUR 1,250 and EUR 15,000 per person/house/year, households could benefit from an interest rate reduction of 1.5% and a tax reduction of 40% (30% since 2012) of the remaining interest

<sup>&</sup>lt;sup>6</sup> Source: Regeerakkoord Vlaamse regering 2014-2019 – p91: http://static.tijd.be/upload/Het\_regeerakkoord\_Vlaamse\_Regering\_2014\_2019\_5032071-1501415.pdf

<sup>&</sup>lt;sup>7</sup> Source: Walloon Government <a href="http://www.wallonie.be/fr/actualites/cheque-habitat-le-nouvel-avantage-fiscal-lie-au-logement">http://www.wallonie.be/fr/actualites/cheque-habitat-le-nouvel-avantage-fiscal-lie-au-logement</a>.

<sup>&</sup>lt;sup>8</sup> Source: Brussels Capital region Government <a href="http://fiscalite.brussels/reforme-fiscale-2">http://fiscalite.brussels/reforme-fiscale-2</a>

rate costs. Most of the loans under this "green loans" agreement were made in the form of a(n) (additional) mortgage loan. The number of new loans for renovation purposes surged from an annual average of 36,000 in the period 2000-2008 to an annual average of 100,000 in the years 2009-2011. The large number of loans in these three years resulted in new production totalling EUR 8.7 billion. The end of the fiscal advantage (at the end of 2011) triggered a drop in mortgage production for transformation purposes of 57.5% in 2012 and 7.1% in 2013. It is only in 2014 that volumes recovered somewhat helped by lower interest rates, without catching up 2011's peak. (see above).

## Registration tax

Another important element of the Belgian house market is the high level of registration taxes on the purchase of a real estate property. Registration tax differs between regions. In Flanders, it is at 10% of the sale value, with a tax-free amount for the first EUR 15,000. In Brussels, it is at 12.5% of the sale value, with a tax-free amount for the first EUR 60,000. On the 01/01/2017, the first 175,000€ (of home value) will be freed of tax (for values below 500,000€). In Wallonia, it is at 12.5% of the sale value, that could even be increased to 15% (after the second residence) in 2017. However, there are also several special regimes in Wallonia, notably for low incomes (where the rate is not 12.5% but 5%, and even 0% for some ecological projects) or modest homes (the tax rate of the first 150,000€ can be lowered to 6% under some conditions).

As a consequence of these registration taxes, the turnover on the Belgian residential real estate market remains quite low compared to other countries. Though the registration tax is now transferable in the Flanders region, this has not yet led to a sizeable increase in turnover.

## Mortgage mandates - a Belgian particularity

There is also a tax in Belgium on the mortgage registration, which amounts to 1% of the size of the mortgage. In order to reduce mortgage registration fees and taxes, a mortgage mandate (*hypothecair mandaat/mandat hypothécaire*) is frequently used. A mortgage mandate is an agreement between the borrower and a proxy whereby the borrower gives the proxy an irrevocable and unconditional power of attorney to unilaterally (no further involvement of the borrower required) create a mortgage on a predefined property in favour of the lender (up to a certain predefined amount). This mandate can be exercised at any time.

It is market practice in Belgium to grant a residential mortgage loan partially covered by a mortgage (frequently up to the maximum tax benefit) and partially by a mandate. This way the borrower avoids part of the mortgage registration fees it needs to pay.

## Main characteristics of Belgian mortgage loans

Over the past years, Belgian households have shown a strong preference for fixed rate loans, or rates which are fixed for relatively long periods. However, there are occasional surges in mortgage loans which are reset more frequently, if the yield curve is favourable.

The law imposes a large set of restrictions on resettable mortgage rates that protect the debtor against large interest rate shocks. The reference interest rates are the Belgian 12-month T-bill and longer-term OLO yields. The minimum reset frequency is 1 year. The margin is fixed at origination. After the first year, the interest rate may increase by maximum one percentage point compared to the original interest rate. After the second year, the interest rate may increase by maximum two percentage points compared to the original interest rate. Over the whole duration of the mortgage loan, the interest rate may increase to maximum the double of the original interest rate.

The maturity of a mortgage inscription is capped at 30 years by law. Therefore, real estate loans exceeding 30 years are rare. The share of mortgage loans with an original maturity exceeding 20 years has increased strongly in recent years.

<sup>&</sup>lt;sup>9</sup> An overview of the system can be found on the website of the National Notary Association: <a href="https://www.notaire.be/acheter-louer-emprunter/1-droits-d-enregistrement">https://www.notaire.be/acheter-louer-emprunter/1-droits-d-enregistrement</a>.

Most mortgage loans are reimbursed in constant annuities, with also a small part in constant principal reimbursement (linear amortisation). The share of interest-only loans remains low.

## Mortgage amounts by reimbursement type and vintage

At the end of 2015(Q3), borrowers predominantly preferred to take out a longer fixed rate period mortgage loan. 85.5% of mortgage loans are fixed permanently and an additional 6.8% are fixed for the first ten years of the loan (Source: Credit Professionals Union – UPC/BVK – Annual Report 2015).

There are a limited amount of short-term variable rate loans originated. Approximately 3% were variable in a time period of one to three years in 2015 Q3.

Average mortgage loan for the purchase of a home in 2015 Q3 was approximately 144,000 euros. The average mortgage loan for the purchase of a house and renovation was approximately 165,000 euros:

The vast majority of mortgage loans are taken out for the purchase of an existing property, as opposed to new construction, with the latter only making up 11% of new loans in 2015.

(Source: Credit Professionals Union – UPC/BVK – 2015 Annual Report released in January 2016 and National economic statistic database of the NBB: http://stat.nbb.be (Survey on mortgage destination))

### **DESCRIPTION OF THE ISSUER**

See section "Documents Incorporated By Reference" for a list of the documents of and information on the Issuer incorporated by reference. References to certain pages in this section explicitly refer to such documents.

The figures included in this section constitute management accounting (MA) figures. These management accounting figures relate to Belgium and Luxembourg only and do not include any foreign branches. The management accounting figures are therefor not reconcilable with Financial accounting (FA) figures from the annual report.

## 1. Statutory Auditors

Ernst & Young Reviseurs Bedrijfsrevisoren BCVBA, member of the "Institut des Réviseurs d'Entreprises" in Belgium, represented by Jean-François Hubin, Partner, has audited the consolidated accounts for the financial years 2015 and 2014 of the Issuer and have issued unqualified opinions on these financial statements. Such Auditors have not resigned, been removed nor failed to be reappointed during the period covered by the historical financial information. Their reports are incorporated therein by reference (see "Documents Incorporated By Reference").

## 2. Risk Factors

For the risk factors concerning the Issuer, please consult the "Risk Factors" section.

## 3. History and general information about the Issuer

The Issuer was formed under the name Bank Brussels Lambert S.A. through a merger of Banque de Bruxelles and Banque Lambert, which was effected on June 30, 1975 as a further development of the holding companies of the two banks which took place in 1972. An Extraordinary General Meeting held on April 17, 2003 adopted a resolution to change the name into ING Belgium SA/NV as from April 22, 2003.

Banque de Bruxelles was founded in 1871 and during the next 60 years acquired interests in other banks in the main cities in Belgium. By 1931, these banks had been absorbed into a single entity, whose operations included not only traditional banking activities, but the management of an industrial portfolio with interests in Belgium and Africa. Following the Belgian banking reforms of 1934-35, the Bank's activities were transferred to a new company, bearing the same name, which was formed on January 30, 1935. This achieved the separation of the holding company's banking activities from its industrial interests, as required by the reforms.

Banque Lambert had its origin in the banking business founded by the Lambert family, active bankers in Belgium since Belgian independence in 1830. Banque Lambert expanded its banking activities rapidly after 1945 by successive mergers with various privately owned banks.

The Issuer is a public company with limited liability (*Naamloze Vennootschap/Société Anonyme*) existing for an unlimited duration under Belgian law. Its registered office is at Avenue Marnixlaan 24, B-1000 Brussels, Belgium.

The Issuer is recognised as a credit institution under the provisions of the Law of 25 April 2014 on the legal status and supervision of credit institutions.

Since the beginning of 1998, the Issuer has been a wholly owned subsidiary of ING Bank as defined below. Since the beginning of 1998, the Issuer has been a wholly owned subsidiary of ING Bank as defined below.

Legal name: ING Belgium SA/NV

Commercial Name: ING

Registered office: Avenue Marnix 24, B-1000 Brussels, Belgium

Switchboard: +32 2 547 21 11; Fax: +32 2 547 38 44

Website www.ing.be

General postal address: Cours Saint-Michel 60, B-1040 Brussels

Company registration: Brussels company register (registre des personnes morales -

rechtspersonen-register) under number 0403.200.393

Legal Form: Société Anonyme/Naamloze Vennootschap

Country of Incorporation: Kingdom of Belgium

**Date of Incorporation:** 30 January 1935

**Legislation applicable:** Belgian Law

There are no recent events particular to the Issuer which, to a material extent, are relevant to the evaluation of the Issuer's solvency.

#### 4. Business Overview

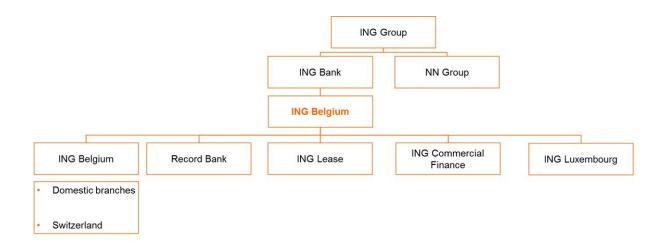
#### I. ING BELGIUM WITHIN ING GROUP

## 1. ING Group

ING Belgium N.V. (**ING Belgium**) is a full subsidiary of ING Group N.V. (**ING Group**) through ING Bank N.V (**ING Bank**).

ING Group is a global financial institution with a strong European base, offering banking services through its operating company ING Bank.

In July 2014, ING Group <u>began its divestment</u> of NN Group with an Initial Public Offering of NN Group shares on Euronext Amsterdam. Since then, ING has further <u>reduced its stake</u> in NN Group to 16.2% as at 5 January 2016.



ING Bank's more than 54,000 employees (by headcount) offer retail and Wholesale Banking services to customers in over 40 countries. ING is the number four eurozone bank by market capitalization (EUR 48 billion, year-end 2015)..

(Source: MSCI, Bloomberg January 2016).

### **Think Forward Strategy**

## Purpose and strategic priorities

Our Think Forward strategy was launched in March 2014 and guides everything we do. At ING we believe that our purpose as a financial institution is to contribute to the sustainable development of society by empowering people to stay a step ahead in life and in business.

To create a differentiating customer experience, we have identified four strategic priorities:

#### 1. Earn the primary relationship

The better we know our customers, the better we will be able to empower them to make smart financial decisions and continue to be relevant for them. We can do this best if they do a range of banking with us – if we are the bank our customers go to for their daily transactions. We call that the primary relationship.

In Retail Banking, we define the retail primary relationship as a payment account with recurrent income and at least one other product with ING. In Wholesale Banking, we aim to increase primary relationships by increasing our so-called "flow" relationships (e.g. transaction services, working capital solutions) and the percentage of relationships where we are the client's lead finance provider.

In 2015, the number of retail primary relationships grew by almost 7% to 8.9 million, putting us well on track to reach our goal of 10 million primary retail customers in 2017.

#### 2. Develop data analytics

The relationship between banks and their customers, as in other industries, is increasingly a digital one. Digitalisation challenges banks to maintain intimacy with a customer who they rarely meet face to face. But the digital interface also provides a wealth of data on customers' preferences and needs that

gives banks important insights to provide the kind of experience customers now expect from businesses they interact with online. Developing analytic skills is essential to serving customers in a digital world. This is not only important for improving customer services, but also for preventing fraud, improving operational processes, reducing risks and generating services that go beyond traditional banking so we can stay relevant for customers.

## 3. Increase the pace of innovation to serve changing customer needs

Customer expectations, new technologies and new competitors are transforming the banking industry faster than anticipated. To address that, we need to increase the pace of innovation. We promote an internal culture of innovation and also partner with external parties with specialised knowledge to accelerate the pace of innovation.

#### 4. Think beyond traditional banking to develop new services and business models

Thinking beyond traditional banking is crucial given that disruption in the banking industry puts a significant portion of revenues at risk. Our payments value chain is already under threat from many bank and nonbank players. To be successful, banks need to expand the concept of what a bank is and what it means to customers, by for example finding ways to be relevant to customers earlier in their purchasing decision-process.

## 2. ING Belgium

ING Belgium's core businesses are Retail Banking and Wholesale Banking. ING Belgium services all banking customers with a wide range of financial products and via the distribution channel of their choice (click or face, and call for support).

ING Belgium's activities can be divided into three segments: Retail & Private Banking, Mid Corporates & Institutionals and Wholesale Banking. The segments are supported by Information Technology Services, Business Support and Product Management & Client Services.

The segment Retail & Private Banking serves various client profiles:

- Retail customers: private customers with assets below EUR 1 million;
- Private Banking customers: individuals with assets in excess of EUR 1 million;
- Self-employed, professionals and small firms: with a turnover of less than EUR 4 million;

The segment Mid Corporates & Institutionals serves:

- **Medium-sized enterprises**: companies with a turnover from EUR 4 million to EUR 250 million;
- **Institutional clients**: governments, hospitals, educational institutions, trade unions and pension funds.

The segment Wholesale Banking serves:

- Large corporates: listed companies and companies with a consolidated turnover in excess of EUR 250 million;
- **Financial institutions**: includes banks and other financial institutions, insurance companies, pension funds, investment funds, and the like.

The Executive Committee of ING Belgium SA/NV is in charge of the coordination of ING's operations in Belgium and Luxembourg. Rik Vandenberghe is the Chief Executive Officer.

## Strategy of ING Belgium

ING Belgium's strategy is fully embedded in the strategy of ING Group. ING Belgium is committed to empowering people to stay a step ahead in life and in business. ING Belgium is determined to create a differentiating customer experience by being both extremely digital and extremely personal in everything it does.

To fulfil its role, ING Belgium successfully positions itself as a universal direct bank.

ING Belgium consistently implements a multi-channel approach according to the principle "Direct if possible, advice when needed". This strategy was first launched in 2007. Alongside ING Belgium's network of branches, online and mobile banking channels offer customers the opportunity to optimise day-to-day account management, execute their main banking transactions and purchase simple products. Consequently, the branches can focus their attention on providing personal advice.

With this strategy, the Bank continuously responds to the fast-changing behaviours and expectations of clients and adapts new technologies to meet their needs.

ING Belgium's leader position as a client focused bank was evidenced by winning the 2015 "Bank of the Year – Belgium" award from The Banker for the third successive year.

## Staff evolution

In the course of 2015, the total number of staff (in full time equivalent, or FTE's) of ING Belgium SA/NV consolidated decreased by 3% from 10.736 to 10.434 FTE's. While overall staffing members declines in 2015, the bank was able to continue to recruit new staff equal to 444 FTE's to meet its strategic goal.

#### II. RETAIL AND PRIVATE BANKING

The following departments or businesses report into Retail & Private Banking: Retail Sales (Branches), Digital Channels, Human Channels, Marketing, Private Banking and Record Group.

Products and services offered entail savings, investments, payments, lending and insurance.

## 1. Retail customers - achievements in 2015

## **ING Belgium**

Retail Banking revenue (including Private Banking, Midcorporates & Institutionals) decreased by 3% to €2,546 million.

Although lending portfolio grew by € 1.4 billion within retail mass driven by increased mortgages demand, the income on mortgages declined due to lower margin and lower pre-payment fees.

Furthermore, due to current low interest rates, savings margins are under pressure. However, this is compensated by a significant increase in investment product assets.

## Record SA/NV

ING Belgium's second Belgian retail banking network – is a 100 % subsidiary of ING Belgium. Record Bank serves over 800,000 retail and small business customers with a full range of safe, simple and transparent products in daily banking, lending, savings and investments.

Its strength is derived from the proximity and personal approach ensured by its three distribution networks. The full product range is offered by about 500 independent Record Bank agents, whilst lending products are also distributed by a network of around 500 independent credit brokers and an important number of (car) vendors.

Online and mobile solutions are tailored to fit day-to-day customer needs in the banking network.

Apart from holding a traditional position of strength in the savings market, Record Bank takes up important market positions in consumer lending (2nd) and mortgages (6th).

## Achievements in 2015

In 2015 Record Bank achieved a net growth of 10.000 primary relation clients (7%) in the bank network. Compared to 2014, it also nearly doubled its production in investment products to € 212 million. This growth was supported by the commercial success of Record Fund, Belgium's first and only fund of ETF's which was launched mid-2014.

The total lending portfolio grew by 1.9% to reach € 15 billion, allowing Record Bank to maintain its market position by building on its three distribution networks.

Prepayments and demands for refinancing grew in 2015, putting further pressure on income from mortgages. This effect is partially offset by volume growth in lending, the development of alternative revenue sources (such as investment products) and by a strong financial risk management.

#### 2. Private Banking

In a personalized way, ING Belgium safeguards the financial and private interests of its clients and is one of the top three private banks on the Belgian market.

In terms of organization, ING Private Banking Belgium is part of Retail Banking and closely aligned to Wholesale Banking, allowing it to capitalize on numerous synergy opportunities with the retail and especially the business divisions, as high net worth customers are often found in medium-sized and family-run businesses.

## **III. MIDCORPORATE & INSTITUTIONAL CLIENTS**

Covers the commercial activities for medium-sized companies with a turnover between EUR 4 million and EUR 250 million, as well as institutional organizations (public sector and social profit). The segment's client focus is the local larger family businesses and the public and non-profit sector. The Midcorporate and Institutional clients network consists of four regions, divided into 16 local business centres and desks. Its service model of relationship managers operates from these business centres and desks, all of which are working in close relation with the local retail branch offices and their regional managers. This local embedding through the business centres/desks and the retail branches and the unique cooperation between them contributes substantially to the success of this segment.

## **Achievements in 2015**

The income of the Midcorporate & Institutional clients showed an increase of 3% driven by business lending.

### IV. WHOLESALE BANKING

Wholesale Banking meets the banking needs of ING's corporate and financial institutions.

ING Belgium offers them a wide range of core banking services, from simple loans and leading-edge financial transactions for payment and cash management to merger and acquisition advice. It also provides clients with tailored banking solutions in areas including Corporate Finance, Equity Markets,

#### Structure

 Corporate Clients cover listed corporates in Belgium and Luxembourg or affiliates of listed companies as well as non-listed corporates with a consolidated turnover of more than EUR 250 million. ING offers them a full range of financial products and services. This responsibility refers not only to the relationship between ING Belgium and such companies, but also to their international dealings with all ING Group entities.

The commercial objective is to enhance client relationships, bolster the customer base, improve cross-selling and ultimately, increase revenues and profits.

The sales organization is organized in 6 sectors offering an in-depth sector and client knowledge. The relationship managers are assisted by dedicated account managers of the Corporate Branch for operational issues as well as Products Specialists. Account Management has been centralized physically in the same location to ensure an integrated sale & service model for our clients. Purpose is to be considered as a trusted and experienced advisor and to provide flawless execution.

- Financial Institutions serves traditional banks and savings banks. Alongside these, it also provides services to insurance companies, brokerage firms, investment banks, leasing and factoring companies, investment funds and fund managers, international and supranational organizations. It is integrated in a common platform, alongside its counterpart in ING Bank Nederland.
- Corporate Finance provides Mergers and Acquisition Advisory (M&A) and Equity Capital Markets (ECM) services to corporate and institutional clients. It also acts as a principal through minority equity participations in companies.
- Equity Markets: provides sales, trading and research services to clients in all major European centres and in the US. It covers Benelux equities and it has sales, analysts and traders in Amsterdam, Brussels and New York. One of its prime objectives is to consolidate its leading equities franchise in the primary and secondary markets.
- Financial Markets (FM) helps businesses to hedge against exposure to inflation, commodity price volatility, exchange risk or interest rate risk. With this range of risk management solutions, it helps businesses to assess risks accurately and limit the impact on financial results.
- Structured Finance provides clients with long-term, limited-recourse financing solutions tailored around selected asset classes (infrastructure, power and utilities, transportation, natural resources). These assets typically generate predictable (and often regulated) cash flow streams over time based on pre-agreed contractual arrangements entered by a client and a third party (e.g. public authority, corporate) which can be leveraged by banks.
- Working Capital Solutions (WCS) provides corporate clients with funding or balance sheet
  management solutions focused on their working capital. Solutions proposed to clients can involve
  the financing of Trade Receivables (via Securitisation techniques or Corporate Factoring
  programmes) or the financing of Trade Payables via Supply Chain Finance techniques.

## **Achievements in 2015**

In Wholesale Banking, revenue rose 16% versus 2014 to € 671 million thanks to good results recorded in Industry Lending (Energy, Transport & Infrastructure), Working Capital Solutions and Financial Markets.

## V. PRODUCT MANAGEMENT & CLIENT SERVICES

Product Management & Client Services installs end-to-end responsibility and accountability, and is aligned with the strategic objectives of the client segments. The mission of the department is to

institutionalise the focus on the client in all processes and to ensure the follow-up of the client's endto-end experience.

#### **Structure**

The department is divided into six entities:

- Daily Banking Services
- Savings & Investments Services
- Lending & Insurance Services
- Wholesale Banking Client Service Delivery
- Business & Programme Management
- Lease & Commercial Finance

#### **Main Products:**

## • Payments, Accounts, Cards & Savings/Transaction Services:

Covers a broad range of products from current-, savings-, long term accounts, cards (debit - and credit cards) and payments. It also includes international payments, cash pooling and liquidity management. Thanks to its longstanding experience in this area and its broad network covering 28 countries in Europe (including Turkey and the Nordic countries through the SEB alliance), ING is amongst the top banks in Europe in PCM. In Belgium, ING is market leader, in particular in the area of cross-border cash pooling, payment factories and SEPA payments.

#### Investments & Securities:

Selects, creates and develops investment products for all type of customers (retail/private banking/ Wholesale Banking) such as Mutual funds, Insurance Investments Products, pensions and savings plans, structured products, bonds & equities. It also provides in services for the administration and follow up of all kind of securities.

### • Lending & Insurance:

Includes the development of mortgages, professional and consumer loans for retail customers as well as life and non-life insurance products. Lending for Corporate clients, provides the core credit instruments to finance our clients' working capital requirements and investments. The corporate lending product range covers standardized solutions as well as tailor-made solutions. It includes four main sets of credit facilities (overdraft facilities, term loans, revolving loans and bank guarantees) each answering different clients' needs.

## • Lease & Commercial Finance:

**ING Lease Belgium (ILB)** serves its customers within the different business units dedicated to general leasing (wheels, equipment, real estate leasing, vendor and computer leasing). Although it uses three distribution channels to market its leasing schemes, 80% of its turnover is sourced on behalf of ING Belgium.

**ING Commercial Finance Belux (ICF)** bridges the treasury gap of companies between invoice issuance and payment by the final customers. It focuses on Belgium and Luxembourg, but it also relies on its sister companies within ING Group. In Belgium, ICF works very closely with ING Belgium and its distribution network. It focuses on: receivables financing; credit management; legal debt collection and credit insurance (take-over of the debtor risk).

**Both leasing and commercial finance** are serving Wholesale Banking clients and are specialized in asset-based lending, i.e. the granting of credit to businesses to finance specific assets which immediately form the main cover for the credit risk.

ILB and its subsidiary ICF do represent two separate entities from a legal point of view. The

commercial policy and strategy of both ILB and ICF have always been in line with ING's. Furthermore, their objectives are identical: to reach ambitious volumes with sufficient profitability to improve our position on the market.

#### VI. INTERNATIONAL NETWORK

## 1. ING Luxembourg

ING Luxembourg is a wholly-owned subsidiary of ING Belgium and profiles itself as a universal bank with more than 100,000 customers in the areas of Corporate & Institutional Banking, Retail & Private Banking.

#### **Structure**

To be able to provide its customers with the most appropriate response to their needs, the bank has organised its activities around its basic business lines: Retail Banking, Private Banking and Corporate and Institutional Banking. ING has a network of 16 branches in Luxembourg which are involved in the development of all business activities and offer dedicated services for small, mid corps and fiduciary companies.

#### Strategy

In line with the "Think Forward" strategy, ING Luxembourg is making every effort to empower people to stay a step ahead in life and in business, so that they can transform their projects into reality. This ranges from the personal loan used to finance the purchase of a consumer good to the more complex loan intended for financing an industrial project, not forgetting the specific needs of private customers.

#### Achievements in 2015

In a difficult environment for the banking sector, ING Luxembourg reported net earnings of 107 million euros in 2015, stable compared with 2014.

Earnings were up 9% following superb commercial performance, even despite the environment of very low interest rates. Innovation and social responsibility remain core values for ING, as demonstrated by the many actions taken in that area. ING Luxembourg continues to support clients in their projects with one of the most comprehensive ranges of loan products available on the market. In 2015, loans granted increased 17% and deposits rose 11%.

Backed by the strength of a large international group, ING Luxembourg further strengthened its local presence in 2015, as much through commercial and cultural actions as through charitable and sports-related initiatives.

#### 2. Foreign Branches

The activities of Wholesale Banking Switzerland are part of the legal perimeter of the Issuer. Per 1 January 2015, Wholesale Banking Spain has been sold to ING Bank NV and hence left the legal perimeter of the Issuer. The same goes for Wholesale Banking Portugal, that has been sold to ING Bank NV per 1 July 2015. The ING Belgium Breda Branch was closed on 31 December 2015.

## VII. SUSTAINABILITY

ING's role in society is to facilitate financial activity and stimulate economic development in a way that ultimately drives sustainable progress. ING strives to do so by acting on its purpose to empower people to stay a step ahead in life and in business and by ensuring long-term success measured by the sum of all of its parts – economic, social and environmental.

## **Accelerating financial empowerment**

In the current world economy, increased household debt, growing unemployment and negative or

slow economic growth are sources of financial anxiety for individuals. The financial empowerment strategy of ING aims to enhance the financial capabilities of both customers and non-clients. ING deploys a wide range of financial empowerment products and services such as online platforms, blogs, customers, dialogue sessions and functional tools to stimulate financial knowledge and build awareness.

## Accelerating sustainable transitions

ING sees sustainability as a source of competitive advantage. By applying its core expertise and functional capabilities ING supports solutions to shared global issues such as the scarcity of natural resources and the development of lower-carbon energy generation, amongst others.

Since companies that proactively reduce their use of scarce resources have a better financial performance and lower-risk profile, ING has increased its focus on servicing and financing clients and projects that contribute to addressing challenges in the areas of energy, water and waste.

## 5. Risk Management

Information on Risk management can be found in the Issuer's Annual Report 2015 on page 50 onwards.

## 6. Management of the Issuer (Board of Directors)

Eric Boyer de la Giroday, Chairman of the Board of Directors

Rik Vandenberghe, Chief Executive Officer

Tanate Puthrakul, Managing Director

Michael Jonker, Managing Director

Emmanuel Verhoosel, Managing Director

Colette Dierick, Managing Director

Frank Stockx, Managing Director

Johan Kestens, Managing Director

Baron Luc Bertrand, Chairman of the Executive Board, Ackermans & van Haaren

Baron Philippe de Buck van Overstraeten, Member of the European Economic and Social Committee

Count Diego du Monceau de Bergendal, Managing Director, Rainyve

Koos Timmermans, Vice-chairman of the Board of Directors ING Bank N.V.

Paul Mousel, Partner Arendt & Medernach

Michèle Sioen, CEO Sioen Industries

Christian Jourquin, Independent Director

## 7. Key figures

# Income statement

# **Consolidated Income Statement**

In EUR millions	2015	2014
Financial and operational income/expenses	3,497	3,503
of which: net interest income	2,645	2,752
Total expenses	-1,971	-1,851
Impairment	-193	-180
Part of entities via equity method	7	2
Profit before taxes	1,340	1,474
Taxation	-384	-408
Profit after taxes	956	1,066
Third-party interest	-6	-2
Net profit	950	1,064

# **Balance Sheet**

# Assets

In EUR millions	2015	2014
Cash & cash with central banks	4,267	1,995
Financial assets HFT + at fair value through P&L	14,614	19,944
Financial assets AFS (available for sale)	18,809	19,653
Loans and receivables	105,194	101,175
Held-to-maturity investments	959	
Derivatives hedge accounting	4,405	5,397
Remaining assets	3,741	3,644
Total Assets	151,989	151,809

# Loans and receivables

In EUR millions	2015	2014
Due from banks	8,641	8,685
Straight loans + rollover	44,582	42,200
Mortgage loans	34,048	32,145
Overdrafts	5,171	8,924
Debt instruments	2,062	2,239
Remaining credits	10,691	6,982
Total Loans and receivables	105,194	101,175

# **Liabilities & Equity**

In EUR millions	2015	2014
Deposits from central bank	1,615	1,622
Financial liabilities HFT + at fair value through P&L	15,592	21,361
Financial liabilities at amortised cost	115,844	108,862
Derivatives hedge accounting	5,978	6,986
Remaining liabilities	3,168	2,981
Group equity	9,792	9,996
Total Liabilities & Equity	151,989	151,809

# $Financial\ liabilities\ at\ amortised\ cost+Deposits\ from\ central\ bank$

In EUR millions	2015	2014
Deposits from credit institutions	7,162	8,886
Savings accounts	43,586	40,738
Deposits at sight	45,829	37,294
Term loans	9,337	10,183
Other deposits	4	5,116

Debt securities + subordinated liabilities	9,926	8,268
Total Financial liabilities at amortised cost *	115,844	110,485

<sup>\*+</sup> deposit from central bank

## ING Belgium's CET1 capital ratio

-	31/12/2015
CET1 capital ratio	14.52%
T1 capital ratio	14.52%

#### 8. Trend Information

There has been no material adverse change in the prospects of the Issuer since 31 December 2015.

#### 9. Profit Forecasts or Estimates

The Board of Directors does not formulate any forecasts for the results for the period under review, in line with the position drawn up by the Executive Board of ING Group.

## 10. Administrative, Management and Supervisory Bodies

## 10.1 Members of the administrative, management and supervisory bodies

Information on the administrative, management and supervisory bodies of the Issuer can be found in the Issuer's Annual Report 2015 on page 13 onwards.

All members of these bodies have elected domicile at the registered office of the Issuer, Avenue Marnixlaan 24 at B-1000 Brussels for the purpose of their functions within the Issuer.

## 10.2 Potential conflicts of interest

The Issuer confirms that, to the best of its knowledge, at the date of this Prospectus, there are no conflicts of interests, potential or not, between any duties to the Issuer of the persons referred to in the Issuer's Annual Report 2015 at pages 17 and 18 and their private interests and/or other duties.

## 11. Board Practices

#### 11.1 Audit Committee

The Board of Directors has set up, from among its members, an Audit Committee. The members of the Audit Committee of ING Belgium are:

- Count Diego du Monceau de Bergendal, Chairman
- Baron Philippe de Buck van Overstraeten
- Christian Jourquin

#### 11.2 Risk Committee

The Board of Directors has set up, from among its members, a Risk Committee. The members of the Risk Committee of ING Belgium are:

• Count Diego du Monceau de Bergendal, Chairman

- Baron Philippe de Buck van Overstraeten
- Christian Jourquin

## 11.3 Nomination Committee

The Board of Directors has set up, from among its members, a Nomination Committee. The members of the Nomination Committee of ING Belgium are:

- Eric Boyer de la Giroday, Chairman
- Koos Timmermans
- Paul Mousel

## 11.4 Remuneration Committee

The Board of Directors has set up, from among its members, a Remuneration Committee. The members of the Remuneration Committee of ING Belgium are:

- Eric Boyer de la Giroday, Chairman
- Koos Timmermans
- Paul Mousel

## 11.5 Corporate governance

See 'ING Belgium SA and the rules of corporate governance' on pages 12 to 16 of the Issuer's Annual Report 2015.

## 12. Major Shareholders

There are for the time being no arrangements known to the Issuer which might result in a subsequent change of control of the Issuer.

## 13. Financial Information

#### 13.1 Historical financial information

The audited consolidated accounts 2015 are prepared according to International Financial Reporting Standards (IFRS), and are to be found in the Issuer's Annual Report 2015 from page 21 onwards.

## 13.2 Financial statements

The consolidated financial statements 2015 are included in the Issuer's Annual Report 2015 from page 21 onwards.

## 13.3 Auditing of historical annual financial information

The historical financial information for the years 2015 and 2014 has been audited.

For the year 2015, see pages 123 onwards of the Issuer's Annual Report 2015 for the auditor's report on the consolidated accounts.

No other information in this Prospectus has been audited by the Issuer's Auditors.

## 13.4 Age of latest financial information

The latest financial information is not older than 18 months as it dates back to 31 December 2015.

## 14. Governmental, legal and arbitration proceedings

ING Belgium and its subsidiaries are involved in litigation proceedings in Belgium and in foreign jurisdictions involving claims by and against them which arise in the ordinary course of their business, including in connection with their activities as lenders, investors and taxpayers. In certain of such proceedings, large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings, management does not believe that their outcome will have a material adverse effect on ING Belgium's financial position or results of operation.

In Belgium, these legal proceedings include a pending dispute over an alleged responsibility of the bank in the framework of a third-party fraud, relating to fraudulent use of funds collected by this third party.

These proceedings also include several disputes over alleged responsibilities of the bank in the framework of so-called fraudulent cash company transaction schemes.

A judicial proceeding has also been instituted against ING Belgium by a group of investors led by a lawyer and a specialized company in this type of action regarding investments in perpetual bonds.

ING Belgium has been assigned to court by an IT services supplier with whom it had contracted for the outsourcing of the conservation and the execution of orders relating to financial instruments. The performance of this contract by the supplier being unsatisfactory, ING Belgium has ended this collaboration, in accordance with the provisions of contract between the parties, which is disputed by the supplier. A judgment, still capable of appeal, was rendered in which the demands of the supplier were rejected, but the supplier has decided to go to the Court of Appeal.

Judicial proceedings have also been initiated against ING Belgium regarding hedging financial products by enterprises who wanted to hedge against increasing interest rates just before the financial crisis. When that crisis began, interest rates unexpectedly fell and are still now extremely low.

Record Bank, a subsidiary of ING Belgium, has received multiple summonses from clients of independent agents. These independent agents, without knowledge of Record Bank, have received funds from their clients to be invested with a third party with whom Record Bank has neither a link nor a business relationship. This third party has since gone bankrupt. Criminal proceedings have been opened, but Record Bank has been set out of that criminal proceeding.

In Luxembourg, ING Luxembourg is confronted with several disputes over an alleged responsibility of the bank in the framework of an ex-employee fraud in the area of fraudulent fund collection before 2005.

In Luxembourg, ING Luxembourg is involved in cases concerning so called fraudulent operations regarding cash companies before 2002. In the frame of those cases, the Bank (and an ex-employee) is (are) pursued before the criminal court in Belgium or summoned by the authorities before the civil court.

# 15. Significant change in the Issuer's financial or trading position

There has been no significant change in the financial or trading position of the Issuer since 31 December 2015.

#### 17. Additional information

## 16.1 Share Capital

Since 30 June 2006, the Issuer's share capital amounts to EUR 2.35 billion represented by 55,414,550 ordinary shares without par value. The Issuer has not issued any other class of shares.

Since 6 August 2004 all the Issuer's shares have been held by ING Group.

## 16.2 Articles of Association and Purpose

Under Article 3 of its Articles of Association, the company's activity is to carry out, on its own behalf or on behalf of third parties, in Belgium or abroad, any business associated with a banking service, in the broadest sense of the term. This includes, but is not necessarily limited to, all transactions relating to deposits of cash and securities, credit transactions of any nature, financial business, stock-market operations, foreign exchange, issuance, intermediation and brokerage.

The company is also authorised to conduct any other business activities that banks are, or may be, allowed to carry out in Belgium or abroad, such as, inter alia, those relating to the commission and brokerage of insurance services, finance leasing and other leasing services in any form, as well as asset, property, advisory or consultancy services on behalf of third parties within the context of these activities.

Through contribution, transfer, merger, subscription, acquisition of holdings or any other form of investment in securities or personal property rights, through financial participation or any other participation, the company may participate in all businesses, undertakings, associations or companies with company business identical, analogous, similar or related to its own or likely to directly or indirectly favour realisation or development of that company business.

The company may carry out all commercial, industrial, financial and movable or real property transactions, which are directly or indirectly related to its company business or may contribute to realisation of that company business.

#### 16.3 Material Contracts

There are no material contracts outside the ordinary course of the Issuer's business, which could result in being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to the Pandbrieven Holders in respect of the Mortgage Pandbrieven being issued.

## 16.4 Third party information and statement by experts and declarations of any interest

There is no third party information nor statement by experts nor declaration of any interest.

# 16.5 Documents on display

So long as Mortgage Pandbrieven may be issued or are outstanding under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Paying Agents:

- the Articles of Association of the Issuer;
- all reports, letters, and other documents, historical financial information, valuations
- and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the Programme; and the historical financial information of the Issuer for each of the two financial years preceding the date of publication of this Prospectus.

## 16.6 Consolidated supervision

ING Belgium SA/NV is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of ING Belgium SA/NV, which covers among other things solvency, pursuant to Articles 165 and following of the Credit Institutions Supervision Law. ING Belgium SA/NV is also subject to the supplementary supervision of the ECB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of the Credit Institutions Supervision Law). The supplementary supervision relates to, among other things, solvency, risk concentration and intra-group transactions and to enhanced reporting obligations.

The consolidated supervision and the supplementary supervision may be aligned as much as possible by the ECB (in conjunction with the other relevant competent authorities) in accordance with Article 170, §2 and §3 of the Credit Institutions Supervision Law.

## **TAXATION**

## **Belgium**

The following summary describes the principal Belgian tax considerations of acquiring, holding and selling the Mortgage Pandbrieven. This information is of a general nature and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Mortgage Pandbrieven. In some cases, different rules may apply. This summary does not describe the tax consequences for a holder of Mortgage Pandbrieven that are redeemable in exchange for, or convertible into assets, of the exercise, settlement or redemption of such Mortgage Pandbrieven or any tax consequences after the moment of exercise, settlement or redemption. Furthermore, this description is based on current legislation, published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect.

Prospective holders of Mortgage Pandbrieven are urged to consult their own professional advisers with respect to the tax consequences of an investment in the Mortgage Pandbrieven, taking into account their own particular circumstances and the possible impact of any regional, local or national laws.

#### General

For the purpose of the below summary, a Belgian resident is (i) an individual subject to Belgian personal income tax (i.e., an individual who has his domicile in Belgium or has his seat of wealth in Belgium, or a person assimilated to a Belgian resident), (ii) a legal entity subject to Belgian corporate income tax (ie a company that has its registered office, its main establishment, its administrative seat or its seat of management in Belgium), or (iii) a legal entity subject to Belgian legal entities tax (i.e. an entity other than a legal entity subject to corporate income tax having its registered office, its main establishment, its administrative seat or its seat of management in Belgium).

A non-resident is a person or entity that is not a Belgian resident. For Belgian income tax purposes, interest includes (i) periodic interest income, (ii) any amounts paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer), (iii) if the Mortgage Pandbrieven qualify as "fixed income securities" (in the meaning of article 2, §1, 8° of the Belgian Income Tax Code 1992) in case of a sale of the Mortgage Pandbrieven between two interest payment dates to any third party, excluding the Issuer, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks ('kasbon' / 'bon de caisse') and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

#### Belgian withholding tax

#### General

The interest component of payments on the Mortgage Pandbrieven made by or on behalf of the Issuer is as a rule subject to Belgian withholding tax, currently at a rate of 27 per cent. on the gross amount of such interest. Both Belgian domestic tax law and applicable tax treaties may provide for a lower or zero rate subject to certain conditions.

## X/N clearing system of the NBB

The holding of the Mortgage Pandbrieven in the X/N clearing system of the NBB (the **Securities Settlement System**) permits investors to collect interest on their Mortgage Pandbrieven free of Belgian withholding tax if and as long as at the moment of payment or attribution of interest the Mortgage Pandbrieven are held by certain types of investors (the **Eligible Investors**, see below) in an exempt securities account (**X-account**) that has been opened with a financial institution that is a direct or indirect participant (a **Participant**) in the Securities Settlement System of the Nationale Bank van

België/Banque Nationale de Belgique. Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

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

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier), which includes inter alia:

- (i) Belgian resident companies referred to in article 2, §1, 5°, b) Belgian Income Tax Code of 1992 (wetboek van inkomstenbelastingen 1992 / code des impôts sur les revenus 1992) (BITC);
- (ii) Without prejudice to article 262,1° and 5° of the BITC, the institutions, associations or companies referred to in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3°;
- (iii) Semi-governmental institutions (*institutions parastatales / parastatalen*) for social security or institutions assimilated therewith, as referred to in article 105, 2° of the Royal Decree of 27 August 1993 implementing the BITC (**RD/BITC**);
- (iv) Non-resident investors referred to in article 105, 5° RD/BITC;
- (v) Investment funds referred to in article 115 of the RD/BITC;
- (vi) Investors referred to in article 227, 2° BITC, that are subject to non-resident income tax (belasting van niet-inwoners / impôt des non-résidents) in accordance with article 233 of the BITC and which have used the Mortgage Pandbrieven for the exercise of their professional activities in Belgium;
- (vii) The Belgian State, in respect of investments which are exempt from withholding tax in accordance with article 265 BITC;
- (viii) Investment funds governed by foreign law (such as fonds de placement / beleggingsfondsen) that are an undivided estate managed by a management company for the account of the participants, provided the funds units are not publicly issued in Belgium or traded in Belgium; and
- (ix) Belgian resident companies, not referred to under (i), whose sole or principal activity consists of the granting of credits and loans.

Eligible Investors do not include, inter alia, Belgian resident individuals and Belgian non-profit organisations, other than those mentioned under (ii) and (iii) above.

Participants to the Securities Settlement System must keep the Mortgage Pandbrieven which they hold on behalf of non-Eligible Investors in a non-exempt securities account (**N-account**). In such instance all payments of interest are subject to withholding tax, currently at a rate of 27 per cent. This withholding tax is withheld by the NBB from the interest payment and paid to the tax authorities.

Transfers of Mortgage Pandbrieven between an X-account and an N-account give rise to certain adjustment payments on account of withholding tax:

 A transfer from an N-account (to an X-account or N-account) gives rise to the payment by the transferring non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.

- A transfer from an X-account (or N-account) to an N-account gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- Transfers of Mortgage Pandbrieven between two X-accounts do not give rise to any adjustment on account of withholding tax.

When opening an X-account for the holding of Mortgage Pandbrieven, an Eligible Investor will be required to certify its eligible status on a standard form approved by the Belgian Minister of Finance and send it to the participant to the Securities Settlement System where this account is kept. This statement needs not be periodically reissued (although Eligible Investors must update their certification should their eligible status change). Participants to the Securities Settlement System are however required to annually report to the NBB as to the eligible status of each investor for whom they hold Mortgage Pandbrieven in an X-account during the preceding calendar year.

These identification requirements do not apply to Mortgage Pandbrieven held with Euroclear or Clearstream, Luxembourg acting as Participants to the Securities Settlement System, provided that they only hold X-accounts and that they are able to identify the holders for whom they hold Mortgage Pandbrieven in such account.

## Belgian income tax and capital gains

## Belgian resident individuals

For individuals who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (*personenbelasting/impôt des personnes physiques*), payment of the 27 per cent. interest withholding tax fully discharges them from their personal income tax liability with respect to interest received on the Mortgage Pandbrieven (*précompte mobilier libératoire/bevrijdende roerende voorheffing*). This means that they do not have to report the interest obtained from the Mortgage Pandbrieven in their personal income tax return, provided that Belgian withholding tax was in fact levied on the interest.

Belgian resident individuals may nevertheless elect to report the interest in their personal income tax return. Where the beneficiary opts to report the interest, interest payments will normally be taxed at withholding separate tax rate of 27 per cent. (or at the progressive personal tax rates taking into account the taxpayer's other reported income, whichever is more beneficial). If the interest payment is reported, any Belgian withholding tax retained may be credited.

Capital gains realised on the sale of the Mortgage Pandbrieven are in principle tax exempt, unless the capital gains are realised outside the scope of the management of the transferor's private estate or unless the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

Different tax rules apply to Belgian resident individuals who do not hold the Mortgage Pandbrieven as a private investment.

#### Belgian resident companies

Interest attributed or paid to corporate Pandbrieven Holders who are Belgian residents for tax purposes, i.e. who are subject to Belgian corporate income tax (*vennootschapsbelasting / impôt des sociétés*), as well as capital gains realised upon disposal of the Mortgage Pandbrieven are taxable at the ordinary corporate income tax rates (the normal corporate tax rate is 33.99 per cent. but lower rates apply to small income companies under certain conditions). Any Belgian interest withholding tax retained will generally, subject to certain conditions, be creditable against any corporate income tax due and the excess amount will be refundable. Capital losses realised upon disposal of the Mortgage Pandbrieven are in principle tax deductible.

# Belgian legal entities

Belgian legal entities subject to the Belgian legal entities tax (*rechtspersonenbelasting / impôt des personnes morales*) which do not qualify as Eligible Investors (as defined in the Section "*Belgian Withholding Tax – X/N clearing system of the NBB*") and/or which do not hold the Mortgage Pandbrieven through an X-account in the Securities Settlement System are subject to a withholding tax of 27 per cent. on any interest payments received under the Mortgage Pandbrieven. Such withholding tax then generally constitutes the final taxation in the hands of the relevant beneficiaries.

Belgian legal entities which do qualify as Eligible Investors (as defined in the section "Belgian Withholding Tax - X/N clearing system of the NBB") and which hold the Mortgage Pandbrieven through an X-account in the Securities Settlement System, and which consequently have received gross interest income on the Mortgage Pandbrieven, are required to report and pay the 27 per cent. withholding tax to the Belgian tax authorities themselves.

Capital gains realised on the sale of the Mortgage Pandbrieven are in principle tax exempt, unless the capital gain qualifies as interest (as defined above). Capital losses are in principle not tax deductible.

#### **Organisation for Financing Pensions**

Interest and capital gains derived by Organisations for Financing Pensions (**OFP**) in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle not included in the OFP's corporate income tax base and are therefore, as a rule, not subject to corporate income tax at the level of the latter. Subject to certain conditions, any Belgian withholding tax that may have been levied on the interest due under the Mortgage Pandbrieven can be credited against any corporate income tax due and any excess amount is in principle refundable.

# **Belgian non-residents**

Pandbrieven Holders who are non-residents of Belgium for Belgian tax purposes and are not holding the Mortgage Pandbrieven through a Belgian establishment and do not invest the Mortgage Pandbrieven in the course of their Belgian professional activity generally will not incur or become liable for any Belgian tax on income or capital gains by reason only of the acquisition, ownership or disposal of the Mortgage Pandbrieven, provided that they qualify as Eligible Investors and hold their Mortgage Pandbrieven through an X-account in the Securities Settlement System.

If the Mortgage Pandbrieven are not entered into an X-account by the Eligible Investor, withholding tax on the interest is in principle applicable at the current rate of 27 per cent., possibly reduced pursuant to Belgian domestic tax law or applicable tax treaties, on the gross amount of the interest.

#### Tax on stock exchange transactions and tax on sales with a forward purchase

A tax on stock exchange transactions (beurstaks/taxe sur les opérations de bourse) will be due on the purchase and sale in Belgium of the Mortgage Pandbrieven on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of EUR 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary. The acquisition of the Mortgage Pandbrieven upon their issuance (primary market) is not subject to the tax on stock exchange transactions.

A *taxe sur les reports* (tax on a sale combined with a forward purchase) at the rate of 0.085 per cent. (subject to a maximum of EUR 650 per party and per transaction) will in principle be due from each party to any such transaction in which a professional intermediary acts for either party.

However, neither the tax on stock exchange transactions nor the *taxe sur les reports* will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident

status and certain Belgian institutional investors as defined in Article 126.1 2° of the Code of various duties and taxes (*Code des droits et taxes divers / Wetboek diverse rechten en taksen*).

On 14 February 2013, the EU Commission adopted a draft Directive on a financial transactions tax (FTT). The draft Directive currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC on 28 November 2006 on the common system of value added tax). For Belgium, the above mentioned transfer taxes should thus be abolished if and once the FTT enters into force. The draft Directive is still subject to negotiation between the participating Member States and may therefore be changed at any time (and may even never be introduced at all).

#### **Exchange of information: Common Reporting Standard**

The Mortgage Pandbrieven are subject to the Directive on Administrative Cooperation (DAC2) (2014/107/EU) of 9 December 2014. Under this Directive (and the Belgian law implementing this Directive ("Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden" of 16 December 2015.), Belgian financial institutions holding Mortgage Pandbrieven for tax residents in another CRS contracting state, shall report financial information regarding the Mortgage Pandbrieven (income, gross proceeds,...) to the Belgian competent authority, who shall communicate the information to the competent authority of the state of the tax residence of the beneficial owner.

# Exchange of information: FATCA (U.S. Foreign Account Tax Compliance Act)

Under the Belgian law implementing FATCA, ("Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden" of 16 December 2015.), Belgian financial institutions holding Mortgage Pandbrieven for "US accountholders " and for "Non US owned passive Non Financial Foreign entities" shall report financial information regarding the Mortgage Pandbrieven (income, gross proceeds,..) to the Belgian competent authority, who shall communicate the information to the US tax authorities

# SUBSCRIPTION AND SALE

The Dealers have in a programme agreement (as amended and/or supplemented and/or restated from time to time the **Programme Agreement**) dated on or around the date of this Base Prospectus agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Mortgage Pandbrieven. Any such agreement will extend to those matters stated under "Form of the Mortgage Pandbrieven" and "Terms and Conditions of the Mortgage Pandbrieven" above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Mortgage Pandbrieven under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

#### General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Mortgage Pandbrieven or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Mortgage Pandbrieven under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. None of the Issuer nor any other Dealer shall have any responsibility therefor.

None of the Issuer nor any of the Dealers represents that Mortgage Pandbrieven may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

In particular (but without limiting the generality of the above), subject to any amendment or supplement which may be agreed with the Issuer in respect of the issue of any Tranche, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, to comply with the following provisions except to the extent that, as a result of any change in, or the official interpretation of, any applicable laws and/or regulations, non-compliance would not result in any breach of the applicable laws and/or regulations.

# Czech Republic

No permit for the issue of the Mortgage Pandbrieven has been obtained (including the obtaining of the approval of the terms and conditions of the Mortgage Pandbrieven) from the Czech National Bank under Act of the Czech Republic No. 190/2004 Coll., on Bonds (the **Bonds Act**). No approval of a prospectus has been sought or obtained from the Czech National Bank with respect to the Mortgage Pandbrieven. No action has been taken to passport a prospectus approved by the competent authority of a Member State of the European Economic Area which has implemented the Prospectus Directive (each a **Relevant Member State**) into the Czech Republic by delivery of certificate of the competent authority of the Relevant Member State to the Czech National Bank attesting that a prospectus approved by the another Relevant Member State authority has been drawn up in accordance with law of the European Union.

No action has been taken (including the obtaining of the prospectus approval from the Czech National Bank and the admission to trading on a regulated market (as defined in Section 55 of the Act of the Czech Republic No. 256/2004 Coll., on Conducting Business in the Capital Market (the **Capital Market Act**)) for the purposes of the Mortgage Pandbrieven to qualify as listed securities.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it has not offered or sold, and will not offer or sell, any Mortgage Pandbrieven in the Czech Republic through a public offering, being - subject to several exemptions set out in the Capital Market Act (e.g. (i) an offer of the Mortgage Pandbrieven addressed solely to qualified investors (as defined under the Capital Market Act), (ii) an offer of the Mortgage Pandbrieven addressed to fewer than 150

natural or legal persons per Relevant Member State, other than qualified investors, and (iii) an offer of the Mortgage Pandbrieven addressed to investors where the minimum permitted investment amounts at least to EUR 100,000 per investor) -any communication to a broader circle of persons containing information on the securities being offered and the terms under which they may acquire the securities and which are sufficient for the Investor to make a decision to subscribe for, or purchase, such securities.

Accordingly, any person making or intending to make any offer within the Czech Republic of Mortgage Pandbrieven which are the subject of the placement contemplated in this Base Prospectus should only do so in circumstances in which no obligation arises for the Issuer or any of the Dealers to produce a prospectus for such offer. Neither the Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Mortgage Pandbrieven through any financial intermediary, other than offers made by Dealers which constitute the final placement of Mortgage Pandbrieven contemplated in this Base Prospectus.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, with the Issuer and each other Dealer that it has complied with and will comply with all the requirements of the Capital Market Act and the Bonds Act and has not taken, and will not take, any action which would result in the Mortgage Pandbrieven being deemed to have been issued in the Czech Republic, the issue of the Mortgage Pandbrieven being qualified as "accepting of deposits from the public" by the Issuer in the Czech Republic under Sections 2(1) and 2(2)(a) of Act of Czech Republic No. 21/1992 Coll., on Banks (the **Banks Act**) or requiring a permit, registration, filing or notification to the Czech National Bank or other authorities in the Czech Republic in respect of the Mortgage Pandbrieven in accordance with the Capital Markets Act, the Bonds Act, the Banks' Act or the practice of the Czech National Bank.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, with the Issuer and each other Dealer that it has complied with and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Mortgage Pandbrieven.

# **France**

This Base Prospectus an any applicable Final Terms have not been prepared in the context of a public offering in France within the meaning of article L.411-1 of the French Code Monétaire et Financier and Title I of Book II of the Réglement Général of the Autorité des Marchés Financiers (the AMF) and therefore has not been approved by, registered or filed with the AMF. Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, any Mortgage Pandbrieven to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the applicable Final Terms or any other offering material relating to the Mortgage Pandbrieven and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers), and/or (b) when acting for their own account, qualified investors (investisseurs qualifiés) other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, L.412-1 and D.411-1 to D.411-3 of the French Code monétaire et financier.

# **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Mortgage Pandbrieven (except for Mortgage Pandbrieven which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**)) other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the SFO and any rules made

under the SFO, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the **CO**) or which do not constitute an offer to the public within the meaning of the CO; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Mortgage Pandbrieven, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Mortgage Pandbrieven which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

# Hungary

Each Dealer has represented and agreed that if the Mortgage Pandbrieven are offered in a private placement in Hungary (i) all written documentation prepared in connection with a private placement in Hungary will clearly indicate that it is a private placement (ii) it will ensure that all investors receive the same information which is material or necessary to the evaluation of the Issuer's current market, economic, financial or legal situation and its expected development, including that which was discussed in any personal consultation with an investor and (iii) the following standard wording will be included in all such written communication:

"Pursuant To Section 18 of Act Cxx of 2001 on the Capital Markets, this [Name Of Document] was prepared in connection with a Private Placement in Hungary."

#### Republic of Italy

The offering of the Mortgage Pandbrieven has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or distributed, and will not offer, sell or distribute any Mortgage Pandbrieven or any copies of this Base Prospectus or of any other document relating to the Mortgage Pandbrieven in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14th May, 1999, as amended from time to time (Regulation No. 11971); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Mortgage Pandbrieven or distribution of copies of this Base Prospectus or any other document relating to the Mortgage Pandbrieven in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29th October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September, 1993, as amended (the **Banking Act**); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

#### Japan

The Mortgage Pandbrieven have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold and will not offer or sell any Mortgage Pandbrieven, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### Korea

The Mortgage Pandbrieven have not been and will not be registered under the Financial Investment Services and Capital Markets Act and its subordinate decrees and regulations (collectively, the **FSCMA**). Accordingly, each Dealer has represented and agreed, and each new Dealer further appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, directly or indirectly, in Korea or to any Korean resident (as such term is defined in the Foreign Exchange Transaction Law and its subordinate decrees and regulations (collectively, **FETL**)), except as otherwise permitted under applicable Korean laws and regulations, including the FSCMA and FETL. Furthermore, the Mortgage Pandbrieven may not be resold to Korean residents unless the purchaser of the Mortgage Pandbrieven complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Mortgage Pandbrieven.

# The Grand Duchy of Luxembourg

The Mortgage Pandbrieven may not be sold to any members of the public in a manner contrary to the Public Offer Seeling Restriction under the Prospectus Directive, or to any persons other than as permitted by law in the Grand Duchy of Luxembourg.

# The Netherlands

The Mortgage Pandbrieven may not be offered to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive (as defined in Article 1:1 of the Dutch Financial Supervision Act (*Wet op het financiael toezicht*) unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Prospectus Directive or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financiael toezicht*), provided that no such offer of Mortgage Pandbrieven shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Zero Coupon Mortgage Pandbrieven in definitive bearer form and other Mortgage Pandbrieven in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or spaarbewijzen as defined in the Dutch Savings Certificates Act (Wet inzake spaarbewijzen; the SCA)) may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Mortgage Pandbrieven to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Mortgage Pandbrieven if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

### **Poland**

This Base Prospectus has not been approved by the Polish Financial Supervisory Authority (the **PFSA**) nor notified (passported) to the PFSA by the FSMA in accordance with applicable procedures. Accordingly, the Mortgage Pandbrieven may not be offered in the Republic of Poland (**Poland**) in a public offering, as defined in the Polish Act on Public Offerings, the Conditions Governing the

Introduction of Financial Instruments to Organised Trading System and Public Companies dated 29 July, 2005 (as amended) as providing information, made in any form and by any means, if such information is addressed to 100 or more people or to an unspecified addressee, about securities and conditions of their purchase, which constitute a sufficient basis to make a decision on the purchase of these securities (a **Public Offering**). Each Dealer has confirmed, and each further Dealer appointed under the Programme will be required to confirm, that it is aware that no approval has been obtained from PFSA nor such notification made and has represented, and each further Dealer appointed under the Programme will be required to represent, that it has not offered, sold or delivered and will not offer, sell or deliver the Mortgage Pandbrieven in Poland in a manner defined as a Public Offering as part of their initial distribution or otherwise to residents of Poland or in Poland. Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the acquisition and holding of the Mortgage Pandbrieven by residents in Poland may be subject to restrictions imposed by Polish law (including foreign exchange regulations) and that the offers and sales of the Mortgage Pandbrieven to Polish residents or within Poland in secondary trading may also be subject to restrictions.

#### Republic of Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Mortgage Pandbrieven will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the Securities and Futures Act). Accordingly, the Mortgage Pandbrieven may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Mortgage Pandbrieven be circulated or distributed, whether directly or indirectly, to any person in the Republic of Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased the Mortgage Pandbrieven, namely a person who is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Mortgage Pandbrieven under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

#### **Spain**

This Base Prospectus has not been registered with the Spanish Securities Market Regulator (*Comisión Nacional del Mercado de Valores*). Accordingly, this Base Prospectus is not intended for any public offer of Mortgage Pandbrieven in Spain, as defined pursuant to Law 24/1988 and Royal Decree 1310/2005, both as amended, and any regulation issued thereunder.

### Slovak Republic

No approval of this Base Prospectus has been sought or obtained from the National Bank of the Slovak Republic in accordance with the Slovak Securities Act (No. 566/2001 Coll.) in respect of the Mortgage Pandbrieven. No application has been filed nor has any permission been obtained for accepting, nor has any other arrangement for trading, the Mortgage Pandbrieven on any public market in the Slovak Republic been made. Accordingly, each Dealer has represented and agreed that it has not offered or sold or made any other arrangement, and will not offer or sell or make any other arrangement, in respect of the Mortgage Pandbrieven for their trading in the Slovak Republic, in a manner that would require the approval of this Base Prospectus by the National Bank of the Slovak Republic under the applicable laws valid in the Slovak Republic. Accordingly, any person making or intending to make any offer within the Slovak Republic of Mortgage Pandbrieven which are the subject of the placement contemplated in this Base Prospectus shall only do so in circumstances in which no obligation arises for the Issuer or any of the Dealers to have a prospectus for such offer approved by the Slovak prudential authorities.

#### **Switzerland**

The Mortgage Pandbrieven may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Mortgage Pandbrieven constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this Base Prospectus nor any other offering or marketing material relating to the Mortgage Pandbrieven may be publicly distributed or otherwise made available in Switzerland.

# **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- in relation to any Mortgage Pandbrieven which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Mortgage Pandbrieven other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Mortgage Pandbrieven would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the **UK FSMA**) by the Issuer;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK FSMA) received by it in connection with the issue or sale of any Mortgage Pandbrieven in circumstances in which Section 21(1) of the UK FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the UK FSMA with respect to anything done by it in relation to any Mortgage Pandbrieven in, from or otherwise involving the United Kingdom.

#### **United States**

The Mortgage Pandbrieven have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and that would not result in the Issuer becoming subject to registration under the Investment Company Act of 1940, as amended, or to regulation under the Commodity Exchange Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Mortgage Pandbrieven (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution as determined and certified by the relevant Dealer or, in the case of an issue of Mortgage Pandbrieven on a syndicated basis, the relevant lead manager, of all Mortgage Pandbrieven of the Tranche of which such Mortgage Pandbrieven are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree that it will send to each dealer to which it sells any Mortgage Pandbrieven during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Mortgage Pandbrieven within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the United States Securities Act of 1933, as amended (the **Securities Act**).

Until 40 days after the commencement of the offering of any Series of Mortgage Pandbrieven, an offer or sale of such Mortgage Pandbrieven within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Mortgage Pandbrieven are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, and treasury regulations thereunder.

Each issuance of Fixed Rate Mortgage Pandbrieven or Floating Rate Mortgage Pandbrieven shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers may agree as a term of the issuance and purchase of such Mortgage Pandbrieven, which additional selling restrictions shall be set out in the applicable Final Terms.

#### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Relevant Member State as defined above, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Mortgage Pandbrieven with a denomination of less than EUR 100,000 or its equivalent in any other Specified Currency which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State.

# **GLOSSARY OF DEFINED TERMS**

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#### **GENERAL INFORMATION**

#### **Authorisation**

The establishment of the Programme and the intial issue of Mortgage Pandbrieven have been duly authorised by resolutions of the Issuer's Executive Committee dated respectively 19 February 2013 and 5 November 2013.

# Listing and admission to trading of Mortgage Pandbrieven on Euronext Brussels

This document constitutes a base prospectus for the purposes of Article 29 of the Belgian Prospectus Law and Article 5.4 of the Prospectus Directive (as defined herein) and has been approved by the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*) (the **FSMA**) in its capacity as competent authority under article 23 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market (the **Belgian Prospectus Law**) as a base prospectus (the **Base Prospectus**). This approval is not and should not be considered to be a judgement as to the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

Application has also been made to Euronext Brussels for the Mortgage Pandbrieven to be listed on Euronext Brussels. References in the Base Prospectus to the Mortgage Pandbrieven being listed (and all related references) shall mean that the Mortgage Pandbrieven have been listed on Euronext Brussels and admitted to trading on Euronext Brussels' regulated market. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments instruments (as amended, supplemented or replaced from time to time).

#### **Documents Available**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will be available during normal business hours at the registered office of the Issuer and from the specified office of the Paying Agent (where applicable, with an English translation thereof):

- (i) the constitutional documents of the Issuer;
- (ii) the Special Estate Administration Agreement;
- (iii) the Mortgage Pandbrieven Holder Representative Agreement; and
- (iv) the Agency Agreement (including its Schedules).

For the period of 12 months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents will be available on the website of the Euronext Brussels at https://www.euronext.com/fr/category/tags/euronext-brussels and during normal business hours at the registered office of the Issuer:

- (i) this Base Prospectus;
- (ii) the Mortgage Pandbrieven Holder Representative Agreement;
- (iii) the audited annual consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015; and
- (iv) any future prospectuses, base prospectuses, information memoranda and supplements including Final Terms relating to Mortgage Pandbrieven which are listed on Euronext Brussels or offered in a Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (whether or not listed on Euronext Brussels).

Copies of each Final Terms (together with the relevant Base Prospectus) relating to Mortgage Pandbrieven which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Mortgage Pandbrieven (together with the relevant Base Prospectus) will only be available for viewing by a holder of such Mortgage Pandbrieven upon production of evidence satisfactory to the Issuer as to the identity of such holder.

# **Clearing Systems**

The Dematerialised Mortgage Pandbrieven have been accepted for clearance through the Securities Settlement System, Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche will be specified in the applicable Final Terms. If the Dematerialised Mortgage Pandbrieven are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of the NBB is De Berlaimontlaan 14, 1000 Brussels, the address of Euroclear is 3 Boulevard du Roi Albert III, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg.

# **Conditions for Determining Price**

The price and amount of Mortgage Pandbrieven to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

# **Significant or Material Change**

There has been:

- (i) no significant change in the financial or trading position of the Issuer since 31 December 2015;
- (ii) no material adverse change in the financial position, business or prospects of the Issuer since 31 December 2015.

# **Statutory Auditors**

The Auditors of the Issuer are Ernst & Young Bedrijfsrevisoren. The Auditors of the Issuer are members of the *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. The financial statements of the Issuer for the years ended 31 December 2014 and 31 December 2015 have been audited in accordance with ISA and resulted, in each case, in an unqualified opinion. The Auditors of the Issuer have no material interest in the Issuer.

The reports of the Auditors of the Issuer are included or incorporated in the form and context in which they are included or incorporated, with the consent of the Auditors who have authorised the contents of that part of this Base Prospectus.

#### Post-issuance information

The Issuer will provide Investor Reports detailing, among other things, compliance with the Statutory Tests. This information will be available at www.ing.be/investor-relations.

#### Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its

affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Mortgage Pandbrieven issued under the Programme. Any such short positions could adversely affect future trading prices of Mortgage Pandbrieven issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

# **THE ISSUER**

# **ING Belgium SA/NV**

Avenue Marnixlaan 24 1000 Brussels Belgium

# **DEALER**

# ING BANK N.V. Belgian Branch

Avenue Marnix 24 1000 Brussels Belgium

# FISCAL, PAYING AND LISTING AGENT

# **ING Belgium SA/NV**

Avenue Marnixlaan 24 1000 Brussels Belgium

# MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE

Stichting ING Belgium Pandbrieven Holders' Representative
Prins Bernhardplein 200

1097 JB Amsterdam
The Netherlands

# **COVER POOL MONITOR**

Deloitte Bedrijfsrevisoren BCVBA

Berkenlaan 8B

1831 Diegem

Belgium

# **LEGAL ADVISER**

To the Issuer and to the Dealers as to Belgian law
Stibbe CVBA
Loksumstraat 25
B-1000 Brussels
Belgium

To the Issuer as to English law

# **Norton Rose Fulbright LLP**

3 More London Riverside

London

SE1 2AQ

United Kingdom

# **AUDITORS**

To the Issuer

# Ernst & Young Bedrijfsrevisoren BCVBA

De Kleetlaan 2 1831 Diegem Belgium