



CASSINE, L.

## BELFIUS FINANCING COMPANY SA

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

Issuer

## BELFIUS BANK SA/NV

(Incorporated with limited liability under the laws of Belgium)

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

## BANQUE INTERNATIONALE A LUXEMBOURG SA

Fiscal Agent and Principal Paying Agent

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Senior Manager

## NOTES ISSUANCE PROGRAMME

EUR 20,000,000,000

Under the Notes Issuance Programme (the “**Programme**”) described in this Base Prospectus Belfius Bank SA/NV (with legal entity identifier (“**LEI**”) A5GWL.FH3KM7YV2SFQI.84) (also named Belfius Banque SA/Belfius Bank NV, “**Belfius Bank**”) and Belfius Financing Company SA (with LEI 222100XN1KG7XBC16R52) (also named “**Belfius Financing Company**”), together the “**Issuers**” and each, individually, an “**Issuer**”, may from time to time, issue notes (in the case of notes issued by Belfius Bank referred to as the “**Belfius Bank Notes**”, in the case of notes issued by Belfius Financing Company as the “**Belfius Financing Company Notes**”, together referred to as the “**Notes**” and individually as a “**Note**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior obligations of the Issuer (the “**Notes**”). Notes issued by Belfius Financing Company will be guaranteed by Belfius Bank (the “**Guarantor**”) pursuant to a senior preferred unsecured guarantee (the “**Guarantee**”).

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

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

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

The relevant Final Terms and this Base Prospectus (as amended from time to time and including all documents incorporated by reference therein) together constitute the prospectus (the “**Prospectus**”) for each Tranche.

The Notes shall be Debt Securities or Derivatives Securities in the meaning of the Regulation (EC) No 809/2004 as amended by the Commission delegated regulation (EU) No 486/2012. Debt Securities are debt instruments for which the Issuer commits itself to redeem the principal invested at maturity. Derivatives Securities are debt instruments for which the Noteholders could lose all or substantial portion of the principal invested.

The Notes issued will be in dematerialized form in accordance with Articles 468 et seq. of the Belgian Companies Code, and will be represented by a book entry in the records of the clearing system operated by the National Bank of Belgium (the “**NBB**”) or any successor thereto (the “**Securities Settlement System**”). Certain Notes issued by Belfius Financing Company are issued in bearer form.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in the Base Prospectus, including in particular the risk factors as described below in Section 3 (*Risk Factors*).

This Base Prospectus was approved by the Belgian Financial Services and Markets Authority (FSMA) on 25 September 2018 and is valid for one year from that date, provided that the Base Prospectus may be updated by any supplements in accordance with articles 34 and 35 of the Belgian Law of 16 June 2006 on the public offer of

investment instruments and the admission to trading of investment instruments on a regulated market. This Base Prospectus replaces and supersedes the Base Prospectus of Belfius Financing Company and of Belfius Bank dated 26 September 2017.

The current ratings of Belfius Bank are A2, with outlook ‘Positive’ (Moody’s), A-, with outlook ‘Stable’ (Standard & Poor’s) and A-, with outlook ‘Stable’ (Fitch). An outlook is not necessarily a precursor of a rating change or future credit watch action. In case of any rating action by any of the rating agencies, the most recent credit ratings of Belfius Bank are always published on Belfius Bank website, at the following address: <https://www.belfius.com/EN/ratings/index.aspx>. Investors should note that the Notes issued under the Programme will not be rated. Also, Belfius Financing Company is currently not rated.

Each of Moody’s, Standard & Poor’s and Fitch is established in the European Union and is included in the updated list of credit rating agencies registered in accordance with Regulation (EC) No.1060/2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011, as amended (the “CRA Regulation”) published on the European Securities and Markets Authority (“ESMA”)’s website (<http://www.esma.europa.eu>) (on or about the date of this Base Prospectus).

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

The Base Prospectus, including the Summary, and the Final Terms of each Tranche of Notes that is not made within an exemption from the requirement to publish a prospectus under the Prospectus Directive (a “Public Offer”) and any supplement, are available on the internet site [www.belfius.be](http://www.belfius.be) (under the heading “Sparen & beleggen/Epargner & investir”) and a copy can be obtained free of charge in the offices of the Guarantor.

The Notes may not be a suitable investment for all investors. Accordingly, prospective investors in Notes should decide for themselves whether they want to invest in the Notes and obtain advice from a financial intermediary in that respect, in which case the relevant intermediary will have to determine whether or not the Notes are a suitable investment for them. Prospective investors should have regard to the factors described under the section 3 headed “Risk Factors” in this Base Prospectus, setting out certain risks in relation to the Notes. In particular, the Noteholders may lose their investment if the Issuer were to become non-viable or the Notes were to be written down. See Section 3.3.4 “Bail-in of senior debt and other eligible liabilities, including the Notes” of this Base Prospectus for a description of this risk factor.

**MIFID II product governance / target market** – The Final Terms in respect of any Notes will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment. A distributor subject to MiFID II is, however, responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593, any dealer subscribing for any Notes is a manufacturer in respect of such Notes.

**Benchmark Regulation** – Amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “Benchmark Regulation”). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to Article 36 of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms (or, if located outside the European Union, recognition, endorsement or equivalence). The registration statuses of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

*This Base Prospectus was approved by the FSMA on 25 September 2018 in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuers or the Guarantor.*

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## 2. SUMMARY

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The following summary is established in accordance with Articles 24 and 28 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market and conveys, in a brief manner and in a non-technical language, the essential characteristics and risks associated with the Issuers, the Guarantor and the Notes.

**Summary of the  
BELFIUS FINANCING COMPANY SA  
AND  
BELFIUS BANK SA/NV  
NOTES ISSUANCE PROGRAMME**  
(the “Programme”)  
EUR 20,000,000,000

### **Introduction and warnings**

**A.1 Warning that:**

- **this summary should be read as introduction to the Base Prospectus;**
- **any decision to invest in the securities should be based on consideration of the Base Prospectus as a whole by the investor;**
- **where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated; and**
- **civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.**

**A.2** The Issuer authorises that this Base Prospectus, as supplemented from time to time, may be used for the purposes of a public offer within 12 months from the date of this Base Prospectus in Belgium, by any credit institution authorised pursuant to Directive 2006/48/EC or any investment firm authorised pursuant to Directive 2004/39/EC to conduct such offers (an **Authorised Offeror**).

**Each offer and each sale of the Notes by an Authorised Offeror will be made in accordance with the terms and conditions agreed between such Authorised Offeror and the investor, including in relation to the price, the allocation and the costs and/or taxes to be borne by an investor. The Issuer is not a party to any arrangements or terms and conditions in connection with the offer and sale of the Notes between the Authorised Offeror and an investor. This Base Prospectus does not contain the terms and conditions of any Authorised Offeror.**

## Issuers and Guarantor

### [Issuer: Belfius Financing Company SA]

*Applicable if Belfius Financing Company is the issuer*

**B.1 Legal and commercial name of the Issuer**

Legal name: Belfius Financing Company SA

Commercial name: Belfius Financing Company

**B.2 Domicile, legal form, legislation and country of incorporation**

Belfius Financing Company SA is registered with the Register of Commerce and Companies of Luxembourg under number B 156767 ("R.C.S Luxembourg"). The articles of association of Belfius Financing Company were last amended and restated by notarial deed on 7 May 2014.

Its registered office is at:

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

**B.4.b Trends affecting the Issuer and its industry**

See B.4.b below in respect of Belfius Bank.

**B.5 Position of the Issuer in its group**

Belfius Financing Company is a special purpose vehicle fully owned by Belfius Bank.

**B.9 Profit forecast or estimate**

Belfius Financing Company does not disclose any forecast of its future results.

**B.10 Qualifications in the audit report on the historical financial information**

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2017: Report on the consolidated financial statements – Unqualified opinion

**B.12 Selected historical key financial information**

The audited Balance Sheet of Belfius Financing Company as at 31 December 2016 and 31 December 2017 (expressed in thousands of EUR) and the Audited Profit and Loss Account of Belfius Financing Company as of 31 December 2016 and 31 December 2017 (expressed in thousands of EUR) are set out below.

<b>Balance Sheet</b>		
(in thousands of EUR)	<b>31/12/2016</b>	<b>31/12/2017</b>
	<b>audited</b>	<b>audited</b>
SUBSCRIBED CAPITAL UNPAID	981	981
FORMATION EXPENSES	91	32
CURRENT ASSETS	10,630,238	9,868,679
PREPAYMENTS	5	5
<b>TOTAL ASSETS</b>	<b>10,631,315</b>	<b>9,869,697</b>
CAPITAL AND RESERVES	5,509	4,603
PROVISIONS	1,338	565
CREDITORS	10,624,391	9,864,433
DEFERRED INCOME	77	96
<b>TOTAL LIABILITIES</b>	<b>10,631,315</b>	<b>9,869,697</b>

<b>Profit and Loss Account</b>		
(in thousands of EUR)	<b>31/12/2016</b>	<b>31/12/2017</b>
	<b>audited</b>	<b>audited</b>
Staff costs	-244	-266
Value adjustments	-59	-59
Other operating expenses	-602	-795
Other interest receivable and similar income	223,916	184,193
Interest payable and similar expenses	-222,047	-182,201
Tax on profit	-305	-260
<b>PROFIT AFTER TAXATION</b>	<b>659</b>	<b>612</b>
Other taxes	-3	3
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>656</b>	<b>615</b>

**Material adverse change in the prospects**

Not applicable, there are no relevant changes

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

Not applicable, there are no relevant changes

**B.13 Recent events relevant to the evaluation of the Issuer's solvency**

See B.13 for Belfius Bank

**B.14 Dependence upon other entities within the group**

See B.5

**B.15 Principal activities**

Belfius Financing Company is a special purpose vehicle fully-owned by Belfius Bank. Belfius Financing Company issues notes and transfers the proceeds of such issues to Belfius Bank.

**B.16 Direct or indirect control over the Issuer**

Belfius Financing Company is fully-owned and controlled by Belfius Bank

**B.17 Credit ratings assigned to the Issuer or its debt instruments**

Not applicable. Belfius Financing Company is a non-rated company.

**B.18 Nature and scope of the guarantees**

The Guarantee means that, in case of dissolution or liquidation of Belfius Bank (the Guarantor), the payment of the guarantee will have the same priority as all other obligations of Belfius Bank belonging to the same category (namely direct, unsecured, unconditional, preferred and unsubordinated). This category can be seen as the "ordinary creditors" and has a lower priority than the "privileged creditors" (ONSS, State, employees, etc.)

**B.19 Information about the Guarantor**

See below information about Belfius Bank SA/NV

**[Issuer/Guarantor]: Belfius Bank SA/NV**

*Applicable if Belfius Bank is the issuer or the guarantor*

**B.1 Legal and commercial name of the [Issuer/Guarantor]**

Legal name: Belfius Bank SA/NV

Commercial name: Belfius Bank

**B.2 Domicile, legal form, legislation and country of incorporation**

Belfius Bank is a limited liability company of unlimited duration incorporated under Belgian law. Its registered office is at Place Charles Rogier 11, B-1210 Brussels, Belgium, telephone +32 2 222 11 11.

**B.4.b Trends affecting the [Issuer/Guarantor] and its industry**

**1. Uncertain economic conditions**

Belfius Bank's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence; the state of the economies Belfius Bank does business in, market interest rates and other factors that affect the economy. Also, the market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other countries. There can be no assurance that current events in Europe or elsewhere would not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect. The profitability of Belfius Bank's businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic trading market conditions and/or related factors, including governmental policies and initiatives. An economic downturn or significantly higher interest rates could increase the risk that a greater number of the Belfius Bank's customers would default on their loans or other obligations to Belfius Bank, or would refrain from seeking additional borrowing. As Belfius Bank currently conducts the majority of its business in Belgium, its performance is influenced by the level and cyclical nature of business activity in this country, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a lasting weakening in the Belgian economy will not have a material adverse effect on the Belfius Bank's future results.

**2. Increased and changing regulation**

As is the case for all credit institutions, Belfius Bank's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, mainly in Belgium.

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in France, the United Kingdom,

the United States, Belgium, Luxembourg and elsewhere have already provided additional capital and funding requirements and have already introduced or may, in the future, be introducing a significantly more restrictive regulatory environment, including new accounting and capital adequacy rules, restrictions on termination payments for key personnel and new regulation of derivative instruments. Current regulation, together with future regulatory developments, could have an adverse effect on how Belfius Bank conducts its business and on the results of its operations.

Belfius Bank is subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations mainly in Belgium but also in the other regions in which Belfius Bank does business. Changes in supervision and regulation, in particular in Belgium, could materially affect Belfius Bank business, the products and services offered by it or the value of its assets.

The recent global economic downturn has resulted in significant changes to regulatory regimes. There have been significant regulatory developments in response to the global crisis, including the stress test exercise coordinated by the Committee of European Banking Supervisors, in co-operation with the ECB, liquidity risk assessments and the adoption of new capital regulatory requirements under Basel III. Belfius Bank works closely with its regulators, and continually monitors regulatory developments and plans the contemplated changes, but as the final details of the implementation are not fully determined yet, it is still highly uncertain what actions will be required from Belfius Bank in order to fully comply with the new rules.

Belfius Bank's business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. The nature and impact of future changes to such policies are not predictable and are beyond Belfius Bank's control.

#### **B.5 Position of the [Issuer/Guarantor] in its group**

Since 20 October 2011, the Federal Holding and Investment Company ("FHIC"), acting on behalf of the Belgian Federal State, holds 100% of the shares of Belfius Bank.

#### **B.9 Profit forecast or estimate**

Belfius Bank does not disclose any forecast of its future results.

#### **B.10 Qualifications in the audit report on the historical financial information**

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2017:

Report on the consolidated financial statements – Unqualified opinion

#### **B.12 Selected historical key financial information**

<b>Consolidated Balance Sheet</b> (in thousands of EUR)	<b>31/12/2016</b> <b>Audited</b> <b>IAS 39</b>	<b>31/12/2017</b> <b>Audited</b> <b>IAS 39</b>	<b>30/06/2018*</b> <b>Unaudited</b> <b>IFRS 9</b>
<b>TOTAL ASSETS</b>	<b>176,720,926</b>	<b>167,959,201</b>	<b>166,951,378</b>
TOTAL LIABILITIES	167,709,206	158,437,793	157,063,147
TOTAL EQUITY	9,011,720	9,521,408	9,888,231
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>176,720,926</b>	<b>167,959,201</b>	<b>166,951,378</b>

<b>Consolidated statement of income</b> (in thousands of EUR)	<b>31/12/2016</b> <b>Audited</b>	<b>31/12/2017</b> <b>Audited</b>	<b>30/06/2018</b> <b>Unaudited</b>
INCOME	2,259,271	2,354,682	1,173,130
EXPENSES	(1,366,281)	(1,368,608)	(690,210)
<b>GROSS OPERATING INCOME</b>	<b>892,990</b>	<b>986,074</b>	<b>482,921</b>
NET INCOME BEFORE TAX	779,524	962,528	473,063
NET INCOME AFTER TAX	535,251	605,522	335,050
NET INCOME Attributable to equity holders of the parent	535,229	605,502	334,622

<b>Consolidated cash flow statement</b> (in thousands of EUR)	<b>31/12/2016</b> <b>Audited</b>	<b>31/12/2017</b> <b>Audited</b>	<b>30/06/2018</b> <b>Unaudited</b>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,735,837	1,500,517	1,680,872
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	8,826	70,447	(127,048)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	345,659	(380,870)	213,616
<b>NET CASH PROVIDED</b>	<b>3,090,321</b>	<b>1,190,094</b>	<b>1,767,440</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7,328,610	10,418,931	11,609,025
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			(57)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>10,418,931</b>	<b>11,609,025</b>	<b>13,376,408</b>

\*As from 1 January 2018 IFRS 9 is applied

#### **Material adverse change in the prospects**

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



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

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

#### **B.13 Recent events relevant to the evaluation of the [Issuer/Guarantor]'s solvency**

The robust liquidity and solvency position of Belfius arises from its successful diversification strategy for funding, sound risk management, sustainable commercial performances and solid financial results. Belfius broadly meets both the SREP standards and the liquidity requirements imposed by the ECB and the BNB.

#### **B.14 Dependence upon other entities within the group**

Belfius Bank is fully held by the Belgian Federal State, through the Federal Holding and Investment Company, which manages Belfius at arm's length. Belfius Bank is not dependent of any of its subsidiaries, save for Belfius Insurance SA/NV.

#### **B.15 Principal activities**

Belfius Bank's object is to carry on the business of a credit institution. Furthermore, Belfius Bank may distribute insurance products from third party insurance companies.

#### **B.16 Direct or indirect control over the [Issuer/Guarantor]**

Belfius Bank is fully held by the Belgian Federal State, through the Federal Holding and Investment Company, which manages Belfius at arm's length.

#### **B.17 Credit ratings assigned to the [Issuer/Guarantor] or its debt instruments**

As at 25 September 2018, Belfius Bank had the following long-term ratings: A- (stable outlook) with Fitch, A2 (positive outlook) with Moody's and A- (stable outlook) with Standard & Poor's.

## **Securities**

#### **C.1 Type, class and identification number**

[•]

#### **C.2 Currency**

[•]

#### **C.5 Restrictions on the free transferability**

Subject to any applicable law or regulation, there are no specific restrictions on the free transferability.

#### **C.8 Rights attached to the securities including ranking and limitations to those rights**

The Notes are direct, unconditional and unsecured obligations of the Issuer and rank without any preference among themselves, with all other obligations of the Issuer of the same category, only to the extent permitted by laws relating to creditor's rights. This category can be seen as the "ordinary creditors" and may be qualified as "Preferred Senior creditors", being the creditors related under article 389/1, 1° of the banking law. Such creditors have a higher priority ranking than the so-called non-preferred senior creditors defined under article 389/1, 2° of the banking law.

#### **[C.9 — nominal interest rate] *Applicable for debt securities***

[•]

— **date from which interest becomes payable and due dates for interest**

[•]

— **where the rate is not fixed : underlying on which the rate is based**

[•]

— **issue date, maturity date and arrangements for the amortization of the Notes, including the repayment procedures**

[•]

— **gross yield**

[•]

— **name of representative of debt security holders**

[•]

#### **[C.10 For the debt securities with a derivative component: How is the value of the securities affected by the value of the underlying instrument(s)?**

[•] *Applicable for Notes other than Fixed Rate Notes and Floating Rate Notes*

#### **C.11 Admission to trading**

Not Applicable

#### **[C.15 How is the value of the securities affected by the value of the underlying instrument(s)?**

*Applicable for derivatives securities*

[•]

#### **[C.16 Issue Date, Issue Price, Brokerage Fees, Maturity date, exercise date, final reference date]**

*Applicable for derivatives securities*

[•]

- [C.17 **Settlement procedure**] *Applicable for derivatives securities*  
 [•]  
 [C.18 **How does the return take place?**] *Applicable for derivatives securities*  
 [•]  
 [C.19 **Exercise price/final reference price of the underlying**] *Applicable for derivatives securities*  
 [•]  
 [C.20 **Type of the underlying and where information on the underlying can be found.**  
 [•]] *Applicable for derivatives securities*

## **Risk factors**

### **D.2 Key risk specific to the Issuer [and to the Guarantor]**

Like all other financial institutions, Belfius Bank faces financial risk in the conduct of its business, such as credit risk, operational risk and market risk (including liquidity risk).

General credit risks are inherent in a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of its borrowers and counterparties and the inability to recover loans and any amounts due. Being a universal commercial credit institution, Belfius Bank is financing clients from the (local) public and social sector, the historical and still predominant segment, and corporates through its Public and Corporate Banking business unit as well as households, self-employed persons and small businesses through its Retail and Commercial Banking business unit.

Market risks are all the risks linked to the fluctuations of market prices, including, principally, exposure to loss arising from adverse movements in interest rates, and, to a lesser extent, foreign exchange rates and equity prices, stemming from Belfius Bank's activities. Due to the nature of its activity, Belfius Bank is prevented from assuming significant exposure to market risk.

Operational risk is the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes legal and reputation risk but excludes strategic risk and expenses from commercial decisions. Although Belfius Bank has implemented risk controls and loss mitigation actions, and has resources devoted to developing efficient procedures and staff awareness, 100 per cent coverage of operational risks can never be attained, due to the very nature of these risks.

Liquidity risk at Belfius Bank is mainly stemming from:

- The variability of the amounts of commercial funding collected from Retail and Private customers, small, medium-sized and large companies, public and similar customers and the way these funds are allocated to customers through all type of loans;
- the volatility of the collateral that is to be deposited at counterparties as part of the CSA framework for derivatives and repo transactions (so-called cash & securities collateral);
- the value of the liquidity reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding..

### **[D.3 Key risk specific to the Debt Securities] *Applicable for debt securities***

Provisions for calling meetings of Noteholders permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes. Investors should note that the provisions of the Terms and Conditions contain certain provisions dealing with a change of law. Such provisions will be applied, in accordance with the law in force at the relevant time.

In addition, any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it.

The Terms and Conditions allow the Issuer and/or the Calculation Agent to make a unilateral modification to the essential features of the Notes (see consequences of all events described under section 9.7 Variable Linked Provisions), provide an early redemption right for the Issuer (see consequences of all events described under section 9.7 Variable Linked Provisions as well as the possibility of Substitution of the Issuer described under section 9.16).

The Issuer and/or the Calculation Agent are only allowed to make a unilateral modification to the essential features of the Notes on the cumulative conditions that (i) such right is limited to events of force majeure or other events which significantly modify the economy of the Note and for which the

Issuer is not responsible; (ii) the modification does not create an imbalance between the rights and obligations of the parties to the Note, to the detriment of the Noteholders. This means that the Issuer and/or the Calculation Agent will take all measures and pay every effort to continue the Note under similar circumstances; and (iii) no costs are charged to the Noteholder.

Regarding the early redemption right (see consequences of all events described under section 9.7 Variable Linked Provisions), pursuant to Article VI.83, 10° of the Belgian Code of Economic Law (i) such right is limited to events of force majeure or other events which significantly modify the economy of the Note and for which the Issuer is not responsible and (ii) the Issuer will indemnify the investor. This means that for capital protected Notes and except in the case of a force majeure event, if the Issuer and/or the Calculation Agent did not manage to continue the Note under similar economic circumstances, the consequence will be Monetization (as defined under section 9 Terms and Conditions of the Notes) without deduction of any costs. In case of such Monetization of the Note, the Noteholders will be granted the right, as an alternative to the Monetization, to sell the Note to the Issuer or to an agent appointed by the Issuer at market value. In case of force majeure the redemption price will correspond to the Fair Market Value. In case of early redemption, no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded pro rata temporis to the Noteholders.

Notes may be subject to a regulatory bail-in under the European Union's Bank Recovery and Resolution Directive (2014/59/EU).

In the event of write-down or conversion exercised by a Union Resolution Authority, the investors in the Notes could be impacted as follows:

- i. the amount outstanding may be reduced, including to zero;
- ii. the security may be converted into ordinary shares or other instruments of ownership;
- iii. the terms may be varied (e.g. the variation of maturity of a debt instrument).

It is worth to note that financial public support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

[Potential investors of Index Linked Notes or Dual Currency Notes should be aware that:

- i. the market price of such Notes may be volatile;
- ii. such index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- iii. the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
- iv. payment of principal or interest may occur at a different time or in a different currency than expected;
- v. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- vi. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- vii. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;
- viii. the risks of investing in an Index Linked Note encompass both risks relating to the underlying indexed securities and risks that are linked to the Note itself;
- ix. any Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- x. it may not be possible for investors to hedge their exposure to these various risks relating to Index Linked Notes;
- xi. a significant market disruption could mean that the index on which the Index Linked Notes are based ceases to exist; and
- xii. the index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.
- xiii. the manner of administration of the index may change, with the result that it may perform differently than in the past, or its calculation method may be revised]

[Each Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of its investment.]

[Notes with variable interest rates can be volatile investments, especially if they are structured to

include multipliers or other leverage factors, or caps or floors.]

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

[Investment in Fixed Rate Notes and Variable Linked Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of these Notes]

[Investors will not be able to calculate in advance their rate of return on Floating Rate Notes and Variable Linked Rate Notes.]

[Notes are subject to optional redemption by the Issuer.]

[The Maturity Date of the Notes may be automatically extended.]

[The Notes bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate.]

[The Notes bear interest at a rate that the Issuer may elect to convert from a floating rate to a fixed rate.]

[The Notes are exposing investors to foreign exchange risk.]

[Zero Coupon Notes and Notes issued at a substantial discount or premium are subject to higher price fluctuations than non-discounted notes.]

Noteholders shall not have any right in respect of the underlying of any Debt Securities.

[Benchmark reforms (e.g. regarding the Euribor rate) and licensing reforms could have a material adverse effect on the value of and return of any Notes.]

A Noteholder's actual yield on the debt securities may be reduced from the stated yield by transaction costs. A Noteholder's effective yield on the debt securities may be diminished by the tax impact on that Noteholder of its investment in the Notes.

**[D.6 Key risk specific to the Derivative Securities]** *Applicable for derivative securities*

[Warning: The holder of a Derivative Securities (i.e. a non-capital guaranteed Variable Linked Rate Note) could lose all or a substantial portion of such Note.]

Provisions for calling meetings of Noteholders permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes.

In addition, any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it.

The Terms and Conditions allow the Issuer and/or the Calculation Agent to make a unilateral modification to the essential features of the Notes (see consequences of all events described under section 9.7 Variable Linked Provisions), provide an early redemption right for the Issuer (see consequences of all events described under section 9.7 Variable Linked Provisions) as well as the possibility of Substitution of the Issuer described under section 9.16.

The Issuer and/or the Calculation Agent are only allowed to make a unilateral modification to the essential features of the Notes on the cumulative conditions that (i) such right is limited to events of force majeure or other events which significantly modify the economy of the Note and for which the Issuer is not responsible; (ii) the modification does not create an imbalance between the rights and obligations of the parties to the Note, to the detriment of the Noteholders. This means that the Issuer and/or the Calculation Agent will take all measures and pay every effort to continue the Note under similar circumstances; and (iii) no costs are charged to the Noteholder.

Regarding the early redemption right (see consequences of all events described under section 9.7 Variable Linked Provisions), pursuant to Article VI.83, 10° of the Belgian Code of Economic Law (i) such right is limited to events of force majeure or other events which significantly modify the economy of the Note and for which the Issuer is not responsible and (ii) the Issuer will indemnify the investor. This means that except in the case of a force majeure event, if the Issuer and/or the Calculation Agent did not manage to continue the Note under similar economic circumstances, the consequence will be Monetization (as defined under section 9 Terms and Conditions of the Notes) without deduction of any costs. In case of such Monetization of the Note, the Noteholders will be granted the right, as an alternative to the Monetization, to sell the Note to the Issuer or to an agent appointed by the Issuer at market value. For Notes without capital protection or in case of force majeure the redemption price will correspond to the Fair Market Value. In case of early redemption, no deduction of any costs will be applied and the costs already borne by the Noteholders will be refunded pro rata temporis to the Noteholders.

Notes may be subject to a regulatory bail-in under the European Union's Bank Recovery and Resolution Directive (2014/59/EU).

In the event of write-down or conversion exercised by a Union Resolution Authority, the investors in the Notes could be impacted as follows:

- i. the amount outstanding may be reduced, including to zero;
- ii. the security may be converted into ordinary shares or other instruments of ownership;
- iii. the terms may be varied (e.g. the variation of maturity of a debt instrument).

It is worth to note that financial public support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

[Potential investors should be aware that:

- i. the market price of such Notes may be volatile;
- ii. such index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- iii. the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
- iv. payment of principal or interest may occur at a different time or in a different currency than expected;
- v. the holder of a non-capital guaranteed Index Linked Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the Index Linked Note;
- vi. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- vii. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- viii. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;
- ix. the risks of investing in an Index Linked Note encompass both risks relating to the underlying indexed securities and risks that are linked to the Note itself;
- x. any Index Linked Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- xi. it may not be possible for investors to hedge their exposure to these various risks relating to Index Linked Notes;
- xii. a significant market disruption could mean that the index on which the Index Linked Notes are based ceases to exist; and
- xiii. the index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.
- xiv. the manner of administration of the index may change, with the result that it may perform differently than in the past, or its calculation method may be revised]

[Each Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of its investment.]

[Notes with variable interest rates can be volatile investments, especially if they are structured to include multipliers or other leverage factors, or caps or floors.]

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

[Investment in Fixed Rate Notes and Variable Linked Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of these Notes.]

[Investors will not be able to calculate in advance their rate of return on Floating Rate Notes and Variable Linked Rate Notes.]

[Notes are subject to optional redemption by the Issuer.]

[The Maturity Date of the Notes may be automatically extended.]

[The Notes are exposing investors to foreign exchange risk.]

[The market price of Variable Linked Rate Notes with a multiplier or other coverage factor may be volatile, and the value of such Notes on the secondary market is subject to greater levels of risk than is the value of other Notes.]

[The formula used to determine the amount of principal, premium and/or interest payable with

respect to the Variable Linked Notes contains a multiplier or leverage factor, the effect of any change in the applicable currency, stock, interest rate or other index will therefore be increased.]The Noteholders shall not have any right in respect of the underlying of any Derivative Securities.

[Benchmark reforms (e.g. regarding the Euribor rate) and licensing reforms could have a material adverse effect on the value of and return of any Notes.]

A Noteholder's actual yield on the derivative securities may be reduced from the stated yield by transaction costs. A Noteholder's effective yield on the derivative securities may be diminished by the tax impact on that Noteholder of its investment in the Notes.

## **Offer**

### **E.2b Reasons for the offer and use of proceeds**

[●](See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from general corporate purposes of the Issuer, will need to include those reasons here.)

### **E.3 Terms and conditions of the offer**

[●]

### **E.4 Interest material to the offer including conflicting interests**

[●]

### **E.7 Estimated expenses charged to the investor**

[●]

## 3. RISK FACTORS

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(Annex V.2, IV. And XI.3 of Regulation (EC) 809/2004)

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

*An investment in the Notes involves a degree of risk. Prospective investors should carefully consider the risks set forth below and the other information contained in this Base Prospectus (including information incorporated by reference) before making any investment decision in respect of the Notes. The risks described below are risks which the Issuers believe may have a material adverse effect on the relevant Issuer's financial condition and the results of its operations, the value of the Notes or the relevant Issuer's ability to fulfil its obligations under the Notes or the Guarantor's ability to fulfil its obligations under the guarantee applicable to the Notes. All of these factors are contingencies which may or may not occur and neither Belfius Bank nor Belfius Financing Company is in a position to express a view on the likelihood of all or any of such contingencies occurring. Additional risk and uncertainties, including those of which the Issuers are not currently aware or deems immaterial, may also potentially have an adverse effect on the relevant Issuer's business, results of operations, financial condition or future prospectus or may result in other events that could cause investors to lose all or part of their investment.*

*Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.*

*The Issuers believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the relevant Issuer to pay interest, principal or other amounts on or in connection with any Notes and the inability of the Guarantor to make payments in respect of the guarantee applicable to the Notes may occur for other reasons which are not known to the Issuers or which the Issuers deem immaterial at this time.*

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

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

*Capitalised terms used herein and not otherwise defined shall bear the meaning ascribed to them in the "Terms and Conditions of the Notes" below.*

### *Factors that may affect Belfius Bank's ability to fulfill its obligations under the Notes*

Like other banks, Belfius Bank faces financial risk in the conduct of its business, such as credit risk, operational risk and market risk (including liquidity risk).

#### *3.1. Risks related to the business of banks in general, and to the Business of Belfius Bank*

##### *3.1.1. Credit Risk*

General credit risks are inherent in a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of its borrowers and counterparties and the inability to recover amounts due from borrowers and counterparties. Belfius Bank is subject to the credit risk that third parties such as trading counterparties, counterparties under swaps and credit and other derivative contracts, borrowers, issuers of securities which Belfius Bank holds, customers, clearing agents and clearing houses, exchanges, guarantors, (re-)insurers and other financial intermediaries owing Belfius Bank money, securities or other assets do not pay, deliver or perform under their obligations. Bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other factors may cause them to default on their obligations towards Belfius Bank.

Belfius Bank measures its credit risk in terms of Full Exposure at Default ("**FEAD**"), which is determined as follows:

- for balance sheet assets (other than derivatives): the gross carrying amounts (i.e., before impairment);
- for derivatives: the fair value of derivatives increased with the potential future exposure (calculated under the current exposure method or add-on);
- for reverse repurchase agreements: the carrying amount as well as the excess collateral provided for repurchase agreements; and
- for off-balance sheet commitments: either the undrawn part of liquidity facilities or the maximum commitment of Belfius Bank for guarantees granted to third parties (including financial guarantees given).

CRD IV provides for the use of an Internal Ratings-Based ("**IRB**") approach to credit risk and partly for market risk. Subject to certain minimum conditions and disclosure requirements, banks that have received regulatory approval to use the IRB approach may rely on their own internal estimates or risk components in determining the capital requirement for a given exposure. Belfius Bank uses mainly the Advanced Internal Ratings-Based ("**AIRB**") approach for assessing its capital requirements for credit risk and partly internal models for capital requirements related to market risks (interest rate and foreign exchange risks). This means that Belfius Bank uses internal models under the advanced method to calculate the probability of default, the loss given default and credit conversion factor in order to determine the capital requirement for a given exposure. For interest rate risk and foreign exchange risk, Belfius Bank uses the internal model (based on Value-at-Risk ("**Var**")). For other market risks (e.g. equity), Belfius Bank uses the standard method.

Belfius Bank requires approval from the European Central Bank (the "**ECB**") in order to implement new models or to change existing approved models. In particular, the ECB has announced that it will be conducting a Targeted Review of Internal Models ("**TRIM**"). TRIM is a process being undertaken by the ECB in systemically important banks subject to its supervision. It is being undertaken to increase harmonisation in approaches to internal models used by banks across the European Union. During 2016, the ECB launched preliminary questionnaires and first data requests. This was followed by a second phase of on-site inspections in 2017 and 2018. Although the results of the first on-site inspections for credit risks did not reveal major weaknesses, further regulatory reviews and inspections may require changes to the activities impacted by the models used by Belfius Bank, such as capital management, risk management and stress testing. It may also give rise to potential adverse capital consequences, including the application of additional capital scalars, delay in the normalization of risk-weighted asset density and reputational risk for Belfius Bank.

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



When granting credits to medium-sized and large enterprises as well as Public and Social Banking customers, an individualised approach is implemented. Credit analysts examine the file autonomously and define the customer's internal rating. Then a credit committee takes a decision on the basis of various factors such as clients' financial situation (e.g. in relation to liquidity and capital), the customer relationship, the customer's prospects, the credit application and the guarantees. In the analysis process, credit applications are carefully examined and only accepted if continuity and the borrower's repayment capacity are demonstrated. To support the credit decision process, a Risk Adjusted Return on Capital ("**RAROC**") measures the expected profitability of the credit transaction or even of the full relationship with the customer, and compares it with a required RAROC level (target rate). As such, the RAROC is an instrument for differentiating the risks and for guiding the return combinations in an optimal way.

Belfius Bank has further intensified its strategy of being close to its customers. This approach provides a significant added value to Belfius Bank's customers, regardless of the segment in which they operate. Credit and risk committees are regionalised and decision-making powers are increasingly delegated to the regional commercial and credit teams, strengthening the principle of decision-by-proximity. This has resulted in a greater involvement of the various teams in the decision-making process, as well as stronger monitoring of the use of the delegated powers mentioned above.

While risk across these borrower classes remains relatively low, certain categories of loans are subject to heightened credit risk. In particular, the National Bank of Belgium (the "**NBB**") has expressed concern with regard to the evolution of the Belgian residential real estate and mortgage market and Belfius Bank remains focused on monitoring the higher risk segments of its mortgage loan book, including mortgages with longer repayment terms, mortgages with a high loan-to-value ratio and loans with high debt service costs relative to the relevant borrower's income and the share in its portfolio of mortgage 'buy to let' loans. Stress testing is regularly conducted to monitor the resilience of the real estate portfolio to shocks. In view of this concern, the NBB has requested that banks increase their capital buffer to absorb unexpected shocks in case of residential real estate market downturn. In light of the NBB's concerns, exposure to corporates in the real estate sector, which have been increasing rapidly, is also an area of focus for Belfius Bank.

Furthermore, in relation to Belfius Bank's lending to public institutions, changes in budgetary and taxation policy may affect the asset quality of loans to municipalities. In addition, one key area of concern is the hospitals sector. The indebtedness of Belgian hospitals has increased significantly over the past five years, which has affected their repayment capacity. The sector is characterized by overcapacity in terms of available beds and infrastructure and the 6th state reform may have an impact on guarantees obtained by creditors.

Belfius Bank monitors the evolution of the solvency of its borrowers throughout the whole credit lifecycle. The different portfolios of the Retail and Commercial Business for which risk management relies on a portfolio approach are reviewed periodically. Customer ratings, using an individualised approach, are also updated periodically, in line with the bank's choice to apply AIRB models. The economic review process of credit applications is intended to ensure that any signs of risk can be detected in time and subsequently monitored and/or addressed. This review process is organised, according to the Credit Review Guideline, in an annual cycle, with in-depth analysis for customers with important credit exposures and/or significant (positive or negative) evolutions in their risk profile.

Finally, since 2011, Belfius Bank has been engaged in a tactical de-risking of the ex-legacy portfolios until end 2016. Belfius Bank has been successful in achieving its aim of bringing the risk profile of the legacy portfolios in line with the risk profile of its Retail and Commercial and Public and Corporate segments. As from 1 January 2017, the remainder of these legacy portfolios have been integrated in Group Center and the remaining securities are being managed in natural run-off. There can be no assurance, however, that the risk profile of these legacy portfolios will remain at current levels.

No assurances can, however, be given that the strategy and framework to control the general credit risk profile and to limit risk concentrations will be effective and that these risks will not have an adverse effect on Belfius Bank's results of operations, financial condition or prospects.

### *3.1.2. Market Risk*

Overall, market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or to changes in the correlations between the levels of market prices.

Management of market risk within Belfius is focused on all Non-Financial and Financial Markets activities of the Bank and encompasses interest rate risk, spread risk and associated credit risk/liquidity risk, foreign-exchange risk, equity risk (or price risk), inflation risk and commodity price risk.

Market risk of Belfius Insurance is separately managed by asset liability management committees ("**Insurance ALCo's**", each an "**Insurance ALCo**"). Belfius Insurance's strategic Insurance ALCo makes strategic decisions affecting the balance sheets of the insurance companies and their financial profitability taking into consideration the risk appetite pre-defined with the Belfius Bank and Insurance group (i.e. directional ALM position in interest rate risks, equity and real estate risks, volatility and correlation risks).

Interest rate risk may be understood as the variation of the value of assets or liabilities of the Bank following changes in interest rates quoted on the markets. It is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset and other derivatives whose values are linked to market interest rates.

Credit spread and liquidity risks are the risks that the value of a certain portfolio can change as the result of movements in credit spreads even if the credit quality (rating) remains the same. The spread of a position is that single spread that has to be added to the whole zero-coupon curve (swap) in order to obtain discount factors that lead to a present value of expected cash flows equal to the current fair value of the position.

Foreign-exchange risk is the potential risk that movements in exchange rates may adversely affect the value of a financial instrument or portfolio. Despite exchange rates being a distinct market risk factor, the valuation of foreign-exchange instruments generally requires knowledge of the behaviour of both spot exchange rates and interest rates.

Equity price risk is the potential risk for adverse changes in the value of an institution's equity-related holdings. Price risks associated with equities are often classified into two categories: general (or non-diversifiable) equity risk and specific (or diversifiable) equity risk.

Commodity price risk is the potential risk for adverse changes in the value of an institution's commodity-related holdings. Price risks associated with commodities differ considerably from other market risk factors since most commodities are traded on markets in which the concentration of supply can magnify price volatility. Belfius only has some commodity price risk on CO2 certificates holdings.

#### **Non-Financial Markets activities**

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as Asset and Liability Management ("**ALM**"). The structural exposure at Belfius Bank results from the imbalance between its assets and liabilities in terms of volumes, durations and interest rate sensitivity.

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

The real operational responsibility of the effective ALM is delegated to the Bank Asset & Liability Committee (“**Bank ALCo**”). The Bank ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of the Bank’s respectively insurer’s balance sheet within a framework of normative limits and reports to the Management Board. Important files at a strategic level are submitted for final decision to the Management Board, that has the final authority before any practical implementation.

The Bank ALCo is responsible for guiding and monitoring balance sheet and off-balance sheet commitments and, doing so, places an emphasis on:

- the creation of a stable income flow;
- the maintenance of economic value; and
- the insurance of robust and sustainable funding.

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

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

### **Financial Markets activities**

Financial Markets activities encompass client-oriented activities and hedge activities at Belfius Bank.

No Financial Markets activities are undertaken at Belfius Insurance. For their needs in Financial Markets products, they turn to Belfius Bank or other banks.

The Value-at-Risk (“**VaR**”) concept is used as the principal metric for the management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value (“**NPV**”) the bank might be facing in historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius Bank using a VaR computation:

- The interest rate and foreign-exchange rate risk: this category of risk is monitored via a historical VaR based on an internal model approved by the NBB. The historical simulation approach consists of managing the portfolio through a time series of historical asset yields. These revaluations generate a distribution of portfolio values (yield histogram) on the basis of which a VaR (% percentile) may be calculated. The main advantages of this type of VaR are its simplicity and the fact that it does not assume a normal but a historical distribution of asset yields (distributions may be non-normal and the behaviour of the observations may be non-linear);
- The general and specific equity risks are measured on the basis of a historical VaR with full valuation based on 300 scenarios;
- The spread risk and the inflation risk are measured via a historical approach, applying 300 observed variations on the sensitivities.

Since the end of 2011, Belfius Bank also computes a Stressed Value-at-Risk (“**S-VaR**”) on top of its regular VaR, which also enters into the computation of weighted risks for Market Risk. This S-VaR measure consists of calculating a historical VaR on 250 consecutive business days observation period which generates the largest negative variations of NPV in the Bank’s current portfolio of financial instruments.

### **3.1.3. Operational risk and Liquidity Risk**

#### **Operational risk**

Belfius Bank defines “operational risk” as the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes legal, reputational and strategic risk but excludes expenses from commercial decisions.

The framework on the management of operational risk at Belfius Bank is in place and is based on the principles mentioned in the “principles for the sound management of operational risk” of the Bank for International Settlements.

The governance structure is based on a first line responsibility by the business management and a second line responsibility by the operational risk management department, who defines the methodological principles. There is a clear separation of duties between both lines.

The operational risk management includes the collection of operational events (loss data), the organisation of yearly risk and control self-assessments, as well as the performance of scenario analysis, the collection of insurance claims and the yearly review of the insurance policies, advice on operational risk topics, co-ordination of the fraud management at Belfius Bank, the development and testing of business continuity plans and performance of business impact analysis, a crisis management programme, the management of information risk. All activities of Belfius Bank are covered by the current framework.

### **Liquidity Risk**

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

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

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

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

ALM reports on a daily basis to the CFO and the Chief Risk Officer (“**CRO**”) and on a monthly basis to the Board of Directors about the Bank’s liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate and challenges the retained hypothesis and models.

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

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

ALF also monitors all aspects relating to asset encumbrance:

- Analysis of the potential regulatory and economic impacts of asset encumbrance;
- Coordination of all projects that impact asset encumbrance;
- Optimization of the asset allocation

An asset should be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes). Asset encumbrance refers to the extent to which assets held by the credit institution are encumbered.

#### *3.1.4. Competition*

Belfius Bank faces strong competition across all its markets from local and international financial institutions including banks, life insurance companies and mutual insurance organisations. While Belfius Bank believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect Belfius Bank's pricing policy and lead to losing market share in one or more markets in which it operates.

Competition is also affected by other factors such as changes in consumer demand and regulatory actions. Moreover competition can increase as a result of internet and mobile technologies changing customer behaviour, the rise of mobile banking and the threat of banking business being developed by non-financial companies, all of which may reduce the profits of the credit institution.

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

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

#### *3.1.5. Increased and changing regulation of the financial services industry could have an adverse effect on Belfius Bank's operations*

As is the case for all credit institutions, Belfius Bank's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, mainly in Belgium.

Recent developments in the global markets have led to an increased involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in France, the United Kingdom, the United States, Belgium, Luxembourg and elsewhere have, as a result, provided additional capital and funding requirements and have introduced and may, in the future, be introducing a significantly more restrictive regulatory environment, including new accounting and capital adequacy rules, restrictions on termination payments for key personnel and new regulation of derivative instruments. Current regulation, together with future regulatory developments, could have an adverse effect on how Belfius Bank conducts its business and on the results of its operations.

The recent global economic downturn has resulted in significant changes to regulatory regimes. There have been significant regulatory developments in response to the global crisis, including the stress test exercise coordinated by the Committee of European Banking Supervisors in co-operation with the ECB, liquidity risk assessments and the adoption of a new regulatory framework. The most relevant areas of regulation include the following:

- The requirements under Basel III have been implemented in the European Union through the adoption of (i) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms (“**CRD**”) and (ii) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (“**CRR**” and together with CRD, “**CRD IV**”).
- As part of the so-called banking union, the “**Single Supervision Mechanism**” or “**SSM**” was adopted by Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions. Under the SSM, the ECB has assumed certain supervisory responsibilities in relation to Belfius Bank, which were previously handled by the NBB. The ECB may interpret the applicable banking regulations, or exercise discretions given to the regulator under the applicable banking regulations, in a different manner than the NBB.
- Regulation 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and the Council (“**Single Resolution Mechanism**” or “**SRM**”). The SRM entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB, including the Issuer. The SRM has established a Single Resolution Board (“**SRB**”) which, since 1 January 2016, is the authority in charge of vetting resolution plans and carrying out the resolution of a credit institution that is failing or likely to fail. The SRB will act in close cooperation with the European Commission, the ECB and the national resolution authorities (which, in case of the Issuer, include the resolution college of the NBB within the meaning of Article 21ter of the Belgian law of 22 February 1998 establishing the organic statute of the NBB (the “**Belgian Resolution College**”). The SRB together with the Belgian Resolution College (where applicable) is hereinafter referred to as the “**Resolution Authority**”. Moreover, the SRM established a Single Resolution Fund (“**SRF**”) which will be built up with contributions of the banking sector to ensure the availability of funding support for the resolution of credit institutions. The overall aim of the SRM is to ensure an orderly resolution of failing banks with minimal costs to taxpayers and the real economy.
- Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) aims to provide supervisory and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers’ exposure to losses.

Belfius Bank’s business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. The nature and impact of future changes to such policies are not predictable and are beyond Belfius Bank’s control.

Belfius Bank conducts its business subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations mainly in Belgium but also in the other regions in which Belfius Bank does business. Changes in supervision and regulation, in particular in Belgium, could materially affect Belfius Bank’s business, the products and services offered by it or the value of its assets.

On 23 November 2016, the European Commission published two proposals amending, inter alia, the CRR, the CRD, the BRRD and the SRM (the “**EU Banking Reform Proposals**”). These proposals aim to (i) increase the resilience of European institutions and enhancing financial stability, (ii) improve banks’ lending capacity to support the EU economy and (iii) further facilitate the role of banks in achieving deeper and more liquid EU capital markets to support the creation of a Capital Markets Union. These proposals remain, however, subject to negotiation between the Member States and have been submitted to the European Parliament and to the Council for consideration and adoption.

In addition, on 7 December 2017 the Basel Committee announced a final agreement on the finalisation of Basel III (commonly referred to as Basel IV). This will result in an increase of the capital requirements for CET1 from 2022 onwards. Belfius expects this impact to be manageable. Such impact can preliminarily be assessed at 1% to 1.25% of CET1 ratio, based on the current agreement. This estimation is subject to the transposition of the international agreement in EU legal framework, the discretion of the macro prudential authority to mitigate the impact of different measures and the forthcoming structure of the balance sheet. In the event that the European authorities when transposing Basel IV were to deviate from this final agreement, this could have a significant impact on Belfius Bank's solvency position. In the event that the separate discussions at the level of the Basel Committee on Banking Supervision regarding sovereign and public exposures were to lead to an agreement on these matters, this could also materially affect Belfius Bank's capital requirements.

### 3.1.6. *Belgian banking law*

On 25 April 2014, a new law on the status and supervision of credit institutions was adopted in Belgium (i.e., *Wet op het statuut van en het toezicht op kredietinstellingen / Loi relative au statut et au contrôle des établissements de crédit*) (the “**Belgian Banking Law**”). The Belgian Banking Law entered, subject to certain exceptions at that time (including in respect of its resolution regime), into force on 7 May 2014.

The Belgian Banking Law is based on the existing regulatory framework and implements into Belgian law (i) the CRD, as further explained in section 3.1.8. (*Effective capital management and capital adequacy and liquidity requirements*) below, and (ii) the BRRD, as further explained in section 3.1.9. (*European Resolution Regime*) below. The Belgian Banking Law, however, has an impact that goes beyond the mere transposition of the aforementioned CRD and BRRD. This is, in particular, but not solely, due to (i) the increased regulatory attention to, and regulation of, corporate governance (including executive compensation), (ii) the need for strategic decisions to be pre-approved by the regulator, and (iii) the prohibition (subject to limited exceptions) of proprietary trading. In respect of the last point, since introduction, this prohibition did not have a material impact on the business of Belfius Bank as it is currently being conducted. The BRRD has been fully transposed into Belgian law in 2015.

The Lead Regulator (in respect of Belfius Bank, the European Central Bank and NBB (or their respective successors)) will need to pre-approve any strategic decision of any Belgian financial institution subject to the Belgian Banking Law (including the Issuer, and regardless of it being systemically important or not). For these purposes, strategic decisions include decisions having significance relating to each investment, disinvestment, participation or strategic cooperation agreement of the financial institution, including decisions regarding the acquisition of another institution, the establishment of another institution, the incorporation of a joint venture, the establishment in another country, the conclusion of cooperation agreement, the contribution of or the acquisition of a branch of activities, a merger or a demerger. The Lead Regulator will have the benefit of extensive discretionary power in this area.

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

Finally, it should be noted that certain of the European initiatives (in particular the prohibition on proprietary trading) to be transposed into Belgian law pursuant to the Belgian Banking Law are still in draft form, or subject to political discussion, at the European level. Whilst the Belgian Banking Law contains powers to allow the government to conform the Belgian Banking Law to developments at a European level in certain areas through a royal decree, it cannot be ruled out that there will be differences between the regulatory regime promulgated by the relevant European directives and the regulatory regime of the Belgian Banking Law.

The Belgian Banking Law will also have to be further amended once the various amendments to CRR, CRD, BRRD and the SRM, which were proposed by the European Commission on 23 November 2016, are adopted in 2019 or later.

### 3.1.7. *Effective Capital Management and capital adequacy and liquidity requirements*

Effective management of Belfius Bank's capital is critical to its ability to operate its businesses and to grow organically. Belfius Bank is required by regulators in Belgium and other jurisdictions in which it undertakes regulated activities to maintain adequate capital resources. The maintenance of adequate capital is also necessary for Belfius Bank's financial flexibility in the face of continuing turbulence and uncertainty in the global economy. Accordingly, the purpose of the issuance of the Notes is, amongst others, to allow Belfius Bank to strengthen its capital position.

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") reached agreement on comprehensive changes to the capital adequacy framework, known as Basel III. A revised version of Basel III was published in June 2011. The purpose was to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. In particular, Basel III introduced new eligibility criteria for common equity tier 1, additional tier 1 and tier 2 capital instruments<sup>1</sup> with a view to raising the quality of regulatory capital, and increased the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer<sup>2</sup> (the "**Capital Conservation Buffer**") above the minimum capital ratios which, if not maintained, results in certain capital distribution constraints being imposed on these institutions (including Belfius Bank). The Capital Conservation Buffer, to be comprised of common equity tier 1 capital, would result in an effective common equity tier 1 capital requirement of 7% of risk-weighted assets<sup>3</sup> (i.e., its assets adjusted for their associated risks). In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer<sup>4</sup> during periods of excessive credit growth, in addition to other buffers which may be applicable to global or domestically systemically important institutions. Basel III further introduced a leverage ratio for institutions as a backstop measure, to be applied from 2018 alongside current risk-based regulatory capital requirements. The changes in Basel III are contemplated to be phased in gradually between January 2013 and January 2022. Basel III has been introduced in the European Union through CRD IV.

CRD IV (consisting of CRD and CRR) has applied since 1 January 2014 and imposes a series of new requirements, many of which are being phased in over a number of years. Certain portions of CRD have been

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<sup>1</sup> Tier 1 capital is calculated as common equity Tier 1 (CET1) capital plus additional Tier 1 capital (AT1). Tier 1 capital is intended to measure a bank's financial health and is used when a bank must absorb losses

**Common Equity Tier 1 (CET1)** is a component of Tier 1 capital that consists mostly of common stock held by a bank or other financial institution.

**Additional Tier 1 capital** is defined as instruments that are not common equity but are eligible to be included as Tier 1 capital. Additional Tier 1 (AT1) instruments include subordinated and perpetual tier-1 capital instruments issued by a credit institution; these instruments contain contractual provisions to convert into ordinary shares or are written down if a bank needs to raise its capital levels for regulatory reasons.

**Tier 2 capital** is the secondary component of bank capital, in addition to Tier 1 capital, that makes up a bank's required reserves. Tier 2 capital is designated as supplementary capital, and is composed of different items including subordinated debt.

<sup>2</sup> The Capital Conservation Buffer is a capital buffer of 2.5% of a bank's total exposures that needs to be met with an additional amount of Common Equity Tier 1 capital. The buffer sits on top of the 4.5% minimum requirement for Common Equity Tier 1 capital. Its objective is to conserve a bank's capital. When a bank breaches the buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make.

<sup>3</sup> Risk-weighted assets (also referred to as RWA) Risk-weighted assets are used to determine the minimum amount of regulatory capital that must be held by banks to maintain their solvency. This minimum is based on a risk assessment for each type of bank risk exposure. The riskier the asset, the higher the RWA and the greater the amount of regulatory capital required.

<sup>4</sup> The counter-cyclical capital buffer is part of a set of macro-prudential instruments, designed to help counter pro-cyclicality in the financial system. Capital should be accumulated when cyclical systemic risk is judged to be increasing, creating buffers that increase the resilience of the banking sector during periods of stress when losses materialise. This will help maintain the supply of credit and dampen the downswing of the financial cycle. The CCyB can also help dampen excessive credit growth during the upswing of the financial cycle. The CCyB can also help dampen excessive credit growth during the upswing of the financial cycle.



transposed into Belgian law through the Belgian Banking Law and, although CRR applies directly in each Member State, CRR leaves a number of important interpretational issues to be resolved through binding technical standards, and leaves certain other matters to the discretion of national regulators. In addition, the ECB may, following the assumption of certain supervisory responsibilities, interpret CRD IV, or exercise discretion accorded to the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than the NBB. To the extent that Belfius Bank has estimated the indicative impact that CRD IV may have on the calculation of its risk-weighted assets and capital ratios, such estimates are preliminary and subject to uncertainties and change.

Basel III and CRD IV change the capital adequacy and liquidity requirements in Belgium and in other jurisdictions. The application of increasingly stringent stress case scenarios by the regulators may (i) require Belfius Bank to raise additional capital resources (including common equity tier 1, additional tier 1 capital and tier 2 capital) by way of further issuances of securities, and (ii) result in existing tier 1 securities and tier 2 securities issued by Belfius Bank ceasing to count towards Belfius Bank's regulatory capital, either at the same level as present or at all. The requirement to raise additional Tier 1 and Tier 2 capital could have a number of negative consequences for Belfius Bank. If Belfius Bank is unable to raise the requisite capital, it may be required to further reduce the amount of its weighted risks.

A formal MREL level was given to Belfius by the Single Resolution Board in May 2018 at the level of 9.70% of its total liabilities and own funds, based on regulatory consolidated scope with prudential netting of derivatives exposures which is to be met at all times taking into account an evolving balance sheet. Based on data as of 30 June 2018, the MREL requirement of 9.70% of total liabilities and own funds amounts to EUR 12.52 billion. Following the current Single Resolution Board ("SRB") methodology, Belfius Group exceeded the MREL based on data as at 30 June 2018 and no transitional period has been defined by the SRB for Belfius.

As mentioned in the SRB 2017 MREL Policy, the SRB has also set a subordination benchmark of Other Systemically Important Institutions ("O-SIIs"). The total subordination benchmark for Belfius has currently been set at 16 per cent. of the total risk-weighted exposures as of December 2016. This is a general level depending on the systemic importance of banks (12 per cent. plus fully fledged combined buffer requirement) of total risk weighted assets ("RWAs") for O-SIIs.

The SRB reserves however the right to adjust the aforementioned policy or requirements at a later stage in the light of the future design of the Bank Recovery and Resolution Directive and further development of the MREL policy. In particular, the SRB is currently reviewing the scope of eligible liabilities for Belfius, which can result in the need for Belfius to increase the issuance of eligible liabilities. As a result, Belfius can be negatively affected, for instance due to higher funding costs.

Belfius will continue to manage its MREL position through the public and/or private issuance of MREL eligible instruments. Since the approval of the Belgian law in July 2017, Belfius has issued two benchmark non-preferred senior transactions in a total amount of €1.25 billion, but there can be no assurance that future issuances will be possible on similar terms or at all.

On 23 November 2016, the European Commission proposed some further changes to the capital requirements rules, known as "CRD V", which will implement the so-called "Basel IV" package. Under these proposals, the leverage ratio and the net stable funding ratio will become binding. Further changes are also proposed to the measurement of certain risks, including market risk and operational risk. Once implemented, these changes are expected to generally result in an increase of the capital requirements.

Any change that limits Belfius Bank's ability to manage effectively its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of impairments and increases in weighted risks) or to access funding sources could have a material adverse impact on its financial condition and regulatory capital position or result in a loss of value in the Notes.

### 3.1.8. *European Resolution Regime*

The BRRD grants powers to resolution authorities that include (but are not limited to) the introduction of a statutory “write-down and conversion power” in relation to Tier 1 capital instruments and Tier 2 capital instruments and a “bail-in” power in relation to eligible liabilities (as defined in Article 2(1)(71) BRRD, i.e., the liabilities and capital instruments that do not qualify as common equity tier 1, additional tier 1 capital instruments or tier 2 capital instruments and that are not excluded from the scope of the bail-in power by virtue of Article 44(2) BRRD, which includes the Notes). These powers allow the Lead Regulator to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing institution and/or to convert certain debt claims (which could include the Notes) into another security, including ordinary shares of Belfius Bank or any other surviving group entity, if any. The “write-down and conversion” and “bail-in” powers are part of a broader set of resolution powers provided to the resolution authorities under the BRRD in relation to distressed credit institutions and investment firms. These resolution powers include the ability for the resolution authorities to force, in certain circumstance of distress, the sale of credit institution’s business or its critical functions, the separation of assets, the replacement or substitution of the credit institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including amending the maturity date, any interest payment date or the amount of interest payable and/or imposing a temporary suspension of payments) and/or discontinue the listing and admission to trading of debt instruments issued by the credit institution.

The Resolution Authority must write down or convert all Tier 1 capital instruments and Tier 2 capital instruments at the institution’s or group’s point of non-viability (i.e., (i) the point at which the relevant authority determines that the institution or group meet the conditions for resolution or (ii) the relevant authority determines that the institution or group would cease to be viable (within the meaning of Article 251 of the Belgian Banking Law) if those capital instruments were not written down or converted or (iii) the institution seeks extraordinary public financial support). In addition, all Tier 1 capital instruments and the Tier 2 capital instruments must be written down or converted before, or at least together with, the application of any resolution tool (including the exercise of the bail-in powers).

### 3.1.9. *Belgian bank recovery and resolution regime*

Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities are able to take a number of measures in respect of any credit institution they supervise if deficiencies in such credit institution’s operations are not remedied. Such measures include: the appointment of a special commissioner whose consent is required for all or some of the decisions taken by all the institution’s corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; requesting limitations on variable remuneration; the complete or partial suspension or prohibition of the institution’s activities; the requirement to transfer all or part of the institution’s participations in other companies; replacing the institution’s directors or managers; and revocation of the institution’s licence, the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional tier 1 capital instruments.

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

The Belgian Banking Law (which transposes BRRD) allows the Resolution Authority to take resolution actions (see section 3.1.9. (*European Resolution Regime*) above). Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a “bridge institution” (an entity created for that purpose which is wholly or partially in public control) and (iii) separate assets by transferring assets to a bridge

institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down.

In addition, since 1 January 2016, the Belgian Banking Law provides a “bail-in” power to the Resolution Authority. Such bail-in power allows the Resolution Authority to write down or convert into shares or other proprietary instruments all or part of a credit institution’s eligible liabilities in order to (i) recapitalise the credit institution to the extent it is sufficient to restore its ability to comply with its licensing conditions and to continue to carry out the activities for which it is licensed and to sustain sufficient market confidence in the institution, or (ii) convert or reduce the principal amount of debt instruments that are transferred to a bridge institution with a view to providing capital for that bridge institution or as part of a sale of the business or transfer of assets.

For the purpose of the Resolution Authority’s bail-in powers, credit institutions (including Belfius Bank) must at all times meet a minimum requirement for own funds and eligible liabilities. This minimum requirement is an amount of own funds and eligible liabilities. The draft technical standards on the criteria for determining the minimum requirement for own funds and eligible liabilities do not provide details on the implications of a failure by an institution to comply with its minimum requirement for own funds and eligible liabilities (“**MREL**”) under the Directive 2014/59/EU of the European Parliament and of the Council, establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as set in accordance with Article 45 of such Directive (as transposed in article 459 of the Belgian Banking Law) and Commission Delegated Regulation (C(2016) 2976 final) of 23 May 2016, or any successor requirement. However, if the approach set out by the Financial Stability Board (the “**FSB**”) in respect of the Total Loss-Absorbing Capacity (“**TLAC**”) for global systemically important banks (“**G-SIBs**”) is adopted in respect of MREL, then there is a possibility that a failure by an institution to comply with MREL could be treated in the same manner as a failure to meet minimum regulatory capital requirements. Accordingly, a failure by the Issuer to comply with its MREL requirement may have a material adverse effect on the Issuer’s business, financial condition and results of operations. For the time being, Belfius Bank is not a G-SIB as defined under the FSB TLAC Term Sheet and is therefore currently not subject to the FSB TLAC Term Sheet.

Any bail-in of eligible liabilities (such as the Notes) will only occur after, or at the same time as, the write-down or conversion of any subordinated debt by the Resolution Authority. Only where the exercise of these write-down and conversion powers is insufficient to meet the requirements of Article 267/6 of the Belgian Banking Law will the Resolution Authority exercise its bail-in powers by (i) writing-down or converting the principal amount of subordinated debts that do not constitute Tier 1 or Tier 2 capital instruments and (ii) to the extent such write-down or conversion is insufficient, the principal amount of the remaining eligible liabilities (each time taking into account the priority of claims in insolvency proceedings). The “write-down and conversion power” (see section 3.1.9. (*European Resolution Regime*) above) has also been transposed in the Belgian Banking Law.

Subject to certain exceptions, as soon as any of these proceedings (including bail-in) have been initiated by the Resolution Authority, the relevant counterparties of such credit institution would not be entitled to invoke events of default or set off their claims against the credit institution. The Belgian Banking Law confirms that the powers described above will not affect the financial collateral arrangements (including close-out netting and repo-transactions) subject to the Belgian law of 14 December 2004 on financial collateral (transposing Directive 2002/47/EC in Belgian law), although the mere fact that a recovery or resolution measure is taken by the Resolution Authority may not cause an event of default, give rise to any close-out or enforcement of security to the extent that the essential provisions of the agreement remain respected. In addition, the protection of financial collateral arrangements provided for by the Belgian Banking Law is slightly broader than the regime set out in the BRRD (with the latter containing certain exceptions to the protection of such arrangements to the extent deposits that may be repayable by a deposit guarantee scheme are part of such arrangements) and, as a consequence, the Belgian Banking Law may need to be amended to provide for the same exceptions.

As indicated above, under the Belgian Banking Law, the powers of the supervisory and resolution authorities are significantly expanded. The implementation or a perceived increase in the likelihood of implementation by the

supervisory and/or resolution authorities of any of their powers of intervention could have an adverse effect on the interests of the Noteholders.

### *3.1.10. Business conditions and the general economy*

Belfius Bank's profitability could be adversely affected by a worsening of general economic conditions domestically, globally or in certain individual markets such as Belgium. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

- an economic downturn or significantly higher interest rates could adversely affect the credit quality of Belfius Bank's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of Belfius Bank's customers would be unable to meet their obligations;
- persistently negative and decreasing short term interest rates could impact Belfius Bank's capacity to generate a sufficiently high level of revenues;
- a continued market downturn or significant worsening of the economy could cause Belfius Bank to incur mark-to-market losses in some of its portfolios; and
- a continued market downturn would be likely to lead to a decline in the volume of transactions that Belfius Bank executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

All of the above could in turn affect Belfius Bank's ability to meet its payment obligations under the Notes or the Guarantee.

### *3.1.11. Current market conditions and recent developments*

Sustained actions by the monetary authorities in both the United States and the Eurozone have created the conditions necessary to achieve stability in the financial system and to permit the start and continuation of the economic recovery. By injecting money into the economy and by creating proper financing systems, by creating a banking union in the European Union and thanks to the regulatory requirements embedded within that banking union the confidence in the stability of the financial systems has returned. However, financial institutions can still be forced to seek additional capital, merge with larger and stronger institutions and, in some cases, be resolved in an organised manner. The capital and credit markets have recently experienced an overall reduction in volatility. In some cases, this has resulted in upward pressure of stock and bond prices, and has also resulted in increased business and consumer confidence. The economy has left a period of distress and entered a phase of low economic growth and low interest rates. Due to the monetary policy pursued within the European Union interest rates have been pushed to extremely low and in some cases negative levels. While this is a factor that has contributed to the economic recovery, it has also strengthened the upward pressure that is exerted on the prices of some financial assets, like different types of bonds, real estate or even stocks. Should this policy be reversed then it cannot be excluded that this could lead to increased volatility in the financial markets and falling asset prices such that confidence gets lowered and business activity reduced which may materially and adversely affect the Issuer's business, financial condition and operational results, which could in turn affect the Issuer's ability to meet its payments under the Notes.

### *3.1.12. Uncertain economic conditions*

Belfius Bank's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, the state of

the economies Belfius Bank does business in, market interest rates and other factors that affect the economy. Also, the market for debt securities issued by banks is influenced by economic and market conditions in Belgium and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European countries. There can be no assurance that current events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect. The profitability of Belfius Bank's businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic trading market conditions and/or related factors, including governmental policies and initiatives. An economic downturn or significantly higher interest rates could increase the risk that a greater number of Belfius Bank's customers would default on their loans or other obligations to Belfius Bank, or would refrain from seeking additional borrowing. As Belfius Bank currently conducts the majority of its business in Belgium, its performance is influenced by the level and cyclical nature of business activity in this country, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a lasting weakening in the Belgian economy will not have a material adverse effect on Belfius Bank's future results.

### *3.1.13. A downgrade in the credit rating*

The rating agencies, Standard & Poor's, Moody's and Fitch Ratings or other rating agency if applicable, use ratings to assess whether a potential borrower will be able in the future to meet its credit commitments as agreed. A major element in the rating for this purpose is an appraisal of the company's net assets, financial position and earnings performance. In addition, Belfius Bank is wholly owned by the Belgian federal state through the Federal Holding and Investment Company, and it is possible that, if the ratings assigned to the Belgian federal state were to be downgraded, that could result in the ratings assigned to Belfius Bank being negatively affected. Moreover, as the ownership of a bank is one of the factors taken into account in determining a bank's rating, a change of ownership of Belfius Bank could have a potential impact on the ratings assigned to Belfius Bank. A bank's rating is an important comparative element in its competition with other banks. It also has a significant influence on the individual ratings of a bank's important subsidiaries. A downgrading or the mere possibility of a downgrading of the rating of Belfius Bank or one of its subsidiaries might have adverse effects on the relationship with customers and on the sales of the products and services of the company in question. In this way, new business could suffer, Belfius Bank's competitiveness in the market might be reduced, and its funding costs would increase substantially. A downgrading of the rating would also have adverse effects on the costs to Belfius Bank of raising equity and borrowed funds and might lead to new liabilities arising or to existing liabilities being called that are dependent upon a given rating being maintained. It could also happen that, after a downgrading, Belfius Bank would have to provide additional collateral for derivative transactions in connection with rating-based collateral arrangements. If the rating of Belfius Bank were to fall within reach of the non-investment grade category, it would suffer considerably. In turn, this would have an adverse effect on Belfius Bank's ability to be active in certain business areas.

### *3.1.14. Catastrophic events, terrorist attacks and other acts of war*

Catastrophic events, terrorist attacks, other acts of war or hostility, and responses to those acts may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which Belfius Bank operates and, more specifically, on the business and results of operations of Belfius Bank in ways that cannot be predicted.

### *3.1.15. The proposed financial transactions tax (FTT)*

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common financial transactions tax (the "FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). In December 2015, Estonia withdrew from the group of states willing to introduce the FTT.

The Commission's Proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of financial instruments should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The Issuer is a financial institution incorporated in Belgium and therefore financial institutions worldwide would be subject to the FTT when dealing in the Notes.

However, the FTT proposal remains subject to negotiation between the participating Member States. Therefore, it may be altered prior to any implementation, the timing of which also remains unclear. Additional EU Member States may decide to participate.

Prospective investors are strongly advised to seek their own professional advice in relation to the FTT.

### *3.1.16. Change in accounting standards – IFRS 9*

Belfius Bank reports its results of operations and financial position in accordance with IFRS. The preparation of Belfius Bank's financial statements requires management to make estimates and assumptions and to exercise judgment in selecting and applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses, to ensure compliance with IFRS. Some areas involving a higher degree of judgment, or where assumptions are significant to the financial statements, include the level of impairment provisions for loans and advances, retirement benefit obligations and deferred tax assets. If the judgments, estimates and assumptions used by Belfius Bank in preparing its consolidated financial statements differ from the actual results, there could be a significant loss beyond that anticipated or provided for, which could have a material adverse effect on Belfius Bank's business, results of operations, financial condition and/or prospects.

Changes to IFRS or interpretations thereof may cause its future reported results of operations and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect Belfius Bank's regulatory capital position and regulatory ratios by requiring the recognition of additional provisions for loss on certain assets. Belfius Bank monitors potential accounting changes and when these are finalised, it determines the potential impact and discloses significant future changes in its financial statements. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to impact Belfius Bank's reported results of operations, financial position and regulatory capital in the future. Where the application of IFRS requires a large element of judgment, the risk of incorrect judgments being made may be heightened where the IFRS standard concerned is recently introduced as there is an absence of a developed practice in its application.

Since 1 January 2018, Belfius applies the International Financial Reporting Standard (IFRS) 9 "Financial Instruments" replacing the International Accounting Standard 39 ("IAS 39"). IFRS 9 "Financial Instruments" was published in 2014 and combines all aspects of accounting for financial instruments: classification and measurement, impairment and micro hedge accounting. Belfius will apply this new standard for the consolidated accounts of Belfius Bank and Belfius Insurance.

According to IFRS 9, the classification and measurement of financial assets is based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics (the so-called SPPI-test, SPPI standing for "solely payments of principal and interest"). Belfius Bank and Belfius Insurance have opted for a "hold to collect" business model for the loans that comply with the SPPI test. Please note that within Belfius' current stock of loans, only certain structured loans to Public & Corporate Banking (PCB) clients do not comply with the SPPI criteria test and will thus be measured at fair value through P&L. Regarding the bond portfolio, Belfius Bank has opted, for the majority of the bonds, for a "hold to collect" business model, while Belfius Insurance will apply a mixed approach where part of the portfolio will be "hold to collect" and the other part "hold to collect and sale". Please note that only a limited number of bonds within Belfius' current stock do not comply with the SPPI criteria, and thus need to be measured at fair value through P&L.

New impairment rules under IFRS 9 replaces the current incurred loss model of IAS 39 by an expected credit loss model. The IFRS 9 impairment rules requires an impairment allowance for all financial assets that are measured at amortised cost and fair value through other comprehensive income, for all loan commitments, for all financial guarantees not recognised at fair value and for all lease receivables. The changes in these allowances are reported in profit and loss. For most such assets, the impairment allowance is measured as the expected credit losses projected over the next twelve months. The allowance remains based on the expected losses over the next twelve months unless there is a significant increase in credit risk. If there is a significant increase in credit risk, the allowance is measured as the expected credit losses projected for the instrument over its full lifetime. If the credit risk significantly recovers, the allowance can once again be limited to the projected credit losses over the next twelve months. Belfius has identified all the necessary elements to adjust the current impairment methodology/calculation engine to the new requirements of IFRS 9, and the Board of Directors of 16 November 2017 has validated all material aspects of the new impairment rules which are applicable since 1 January 2018 onwards.

Hedge accounting under IFRS 9 aligns more to the risk management policies of entities than under IAS 39. It expands the definition for non-derivative financial instruments and can now also include non-financial assets as hedging instruments. IFRS 9 does not address macro hedge accounting, and allows entities to continue with IAS 39 for such hedges. Belfius will continue to apply the requirements of IAS 39, as most of the hedges held by Belfius are qualified as macro hedges.

The implementation of IFRS 9 as of 1 January 2018 had a negative impact on the net asset value of EUR 67 million, mainly stemming from the impact of the new impairment calculation methodology which was, however, partially offset by the reversal of the net negative available-for-sale reserve for those bonds which will be within a "hold to collect" business model. Furthermore, the implementation has a slightly positive impact (around 30 basis points) on Belfius' solvency ratios. The impacts of the first time application of IFRS 9 are recognised in equity which impacts the regulatory capital. Other impact can also be noted on risk exposures due to impacts on balance sheet exposure amounts from reclassifications.

The impact relates mainly to the reversal of the available-for-sale reserve and the frozen available-for-sale reserve as Belfius has opted for a "hold to collect" business model for the majority of debt instruments.

The impact on regulatory risk exposures is twofold: (i) an increase on the portfolio hedge; and (ii) a decrease following lower exposures after reclassification and remeasurement on certain assets.

This increase of regulatory risk exposure was partially offset by lower exposures on certain assets. As the majority of the debt instruments are held in a "hold to collect" business model, the exposure on which RWA is calculated decreased as the fair value revaluation is no longer taken into account.

### *3.1.17. A substantial part of Belfius Bank's assets are encumbered*

Like every credit institution, a non-negligible part of the Issuer's assets are collateralised (by means of an outright pledge<sup>5</sup>, repo transaction<sup>6</sup> or otherwise). The amount of assets pledged is linked to the funding granted by external parties who demand collateral to mitigate the potential risk on the Issuer.

Belfius Bank established in November 2012 a Belgian Mortgage Pandbrieven Programme and in October 2014 a Belgian Public Pandbrieven Programme. Both programmes are licensed by the NBB and each can issue Belgian pandbrieven for a maximum amount of EUR 10,000,000,000. In accordance with the law of 3 August 2012 establishing a legal regime for Belgian covered bonds, the investors of pandbrieven benefit from a dual recourse, being an unsecured claim against the general estate of Belfius Bank and an exclusive claim against the relevant special estate of Belfius Bank: one special estate for the mortgage pandbrieven and another special estate for the public pandbrieven. With respect to the assets of the general estate of Belfius Bank, the Noteholders, as unsecured and unsubordinated creditors of Belfius Bank, will rank *pari passu*<sup>7</sup> with the investors of pandbrieven and any other unsecured and unsubordinated creditors of Belfius Bank. However, the Noteholders may not exercise any rights against or attach any assets of the special estates as they are reserved for the holders of pandbrieven. A credit institution cannot issue any further Belgian covered bonds if the amount of cover assets exceeds 8% of the issuing credit institution's total assets.

The special estate in relation to the Belgian Mortgage Pandbrieven Programme is mainly composed of residential mortgage loans and the special estate in relation to the Belgian Public Pandbrieven Programme is mainly composed of loans to Belgian public sector entities. The value of the assets, contained in the relevant special estate, needs to be in proportion with the nominal amount of issued pandbrieven under such programme (in accordance with applicable law and issue conditions). Only pandbrieven investors and other creditors, which can be identified based on the pandbrieven issue conditions, have a claim on the relevant special estate.

Finally, it should be noted that the Belgian Banking Law introduced (i) a general lien on movable assets ("*algemeen voorrecht op roerende goederen*" / "*privilège général sur biens meubles*") for the benefit of the deposit guarantee fund ("*garantiefonds voor financiële diensten*" / "*fonds de garantie pour les services financiers*") as well as (ii) a general lien on moveable assets for the benefit of natural persons and SMEs for deposits exceeding EUR 100,000. Such general liens could have an impact on the recourse that any Noteholder would have on the general estate of Belfius Bank in the case of an insolvency as the claims which benefit from such general liens will rank ahead of the claims of the Noteholders.

### 3.2. Risks relating to the business of Belfius Financing Company

Considering the close relationship with, and the guarantee of the obligations of Belfius Financing Company by Belfius Bank, the risk factors as set out above in respect of Belfius Bank may also apply, directly and/or indirectly, to Belfius Financing Company.

Belfius Financing Company is a fully owned subsidiary of Belfius Bank, which means, for Notes issued by Belfius Financing Company, that the credit risks on the Issuer and the Guarantor are closely linked. The risk factors as set out above in respect of Belfius Bank may therefore also apply, directly and/or indirectly, to Belfius Financing Company. The credit risks on the Issuer and the Guarantor imply that the Noteholders may lose all or part of their investment in the Notes in case the Issuer and the Guarantor become insolvent or are unable to fulfill their obligations under the Notes.

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<sup>5</sup> A transaction whereby a security interest in the form of a pledge is created over certain assets of the Issuer; in case of non-compliance by the Issuer with its obligations, the beneficiary of such pledge may enforce the pledge by way of a forced sale, appropriation, or otherwise.

<sup>6</sup> "Repo" is a generic name for both repurchase agreements and sell/buy-backs. In a repo, one party sells an asset (usually fixed-income securities) to another party at one price at the start of the transaction and commits to repurchase the fungible assets from the second party at a different price at a future date or (in the case of an open repo) on demand.

<sup>7</sup> Ranking *pari passu* means that in the hierarchy of creditors, they share the same rank and do not have a priority right.



## *Factors which are material for the purpose of assessing the market risks associated with the Notes*

Each of the factors described above may also have an impact on the risks associated with the Notes. Prospective investors should carefully read the information set out below in conjunction with the risk factors related to the businesses of the Issuers.

### *3.3. Risks related to the Notes generally*

#### *3.3.1. Notes may not be a suitable investment for all investors*

Each of the Issuers believes that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme, but the Issuers may be unable to pay or deliver amounts on or in connection with any Notes for other reasons and the Issuers do not represent that the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision. Prospective investors should consult their own financial and legal advisers about risks associated with investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances.

In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### *3.3.2. Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including modifications to the Terms and Conditions and/or a programme document and/or the substitution of an Issuer. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

In addition, pursuant to the Condition 9.3.6.2(p) (*Benchmark Replacement*), if a Benchmark Event occurs, certain changes may be made to the interest calculation and related provisions of the Floating Rate Notes and Variable Linked Rate Notes as well as the Agency Agreement in the circumstances and as otherwise set out in such Condition, without the requirement for the consent of the Noteholders.

### *3.3.3. Common Reporting Standard – Exchange of information*

The exchange of information is to be governed by the Common Reporting Standard (“CRS”). As of August 2018, more than 100 jurisdictions have signed the multilateral competent authority agreement (“MCAA”), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 50 jurisdictions (among which Belgium) have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (early adopters).

Under CRS, financial institutions resident in a CRS country are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation (“DAC2”), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

On 10 November 2015, the Council of the European Union adopted a Directive which repealed the EU Savings Directive with effect from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). This is to prevent overlap between the EU Savings Directive and the new automatic exchange of information regime provided under DAC2.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of financial information based on the CRS. This new agreement replaces the agreement on the taxation of savings that entered into force in 2005. If a payment were to be made or collected through a paying agent in certain third countries or dependent associated territories of certain Member States, and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

The Belgian government has implemented DAC2, respectively the Common Reporting Standard, pursuant to the law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes (the “**Law of 16 December 2015**”).

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

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

Given the entry into force of the bail-in regime, Noteholders may lose some or all of their investment (including outstanding principal and accrued but unpaid interest) as a result of the exercise by the Resolution Authority of the “bail-in” resolution tool.

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

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

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

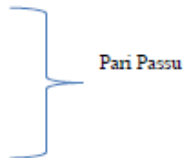
The BRRD specifies that governments will only be entitled to use public money to rescue credit institutions if a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in or, by way of derogation, if the contribution to loss absorption and recapitalisation is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

The exercise by the Resolution Authority of its bail-in powers in relation to the Notes, or the (perceived) prospect of such exercise, could have a material adverse effect on the value of the Notes and could lead the holders of the Notes losing some or all of their investment in the Notes.

#### Insolvency ranking in Belgium:

Warning: Belgian law is marked by a complex system of statutory liens based upon the Mortgage Act and numerous other statutes creating specific classes of creditors, as well as security interests granted by the debtor (mortgage, pledge, charge). Due to this complex system, conflicts of ranking between creditors often arise. Ranking agreements between secured creditors are valid and common (just like subordination agreement on the other end of the hierarchy). Ranking amongst secured and special lien creditors varies depending on the modalities (composition of the estate, composition of the liabilities, date, etc.) of the case. As a consequence, the creditor hierarchy may vary from case to case. The below hierarchy is an indication and may not be construed as a universally valid ranking of creditors.

Common Equity Tier 1
Additional Tier 1
Tier 2 + other Subordinated Liabilities
Non Preferred Senior Unsecured Instruments <i>(art. 389/1, 2° Belgian Banking Law 25 April 2014)</i>
Other Preferred Senior Unsecured Liabilities
Derivatives
Deposits Large Enterprises (>100,000 EUR)
Deposits SME and Physical Persons (>100,000 EUR)
Covered Deposits (<100,000 EUR)
Secured Liabilities



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

There is no restriction on the amount of debt that the Issuer or the Guarantor may issue or guarantee that ranks senior to, or *pari passu* with, the Notes. The issue of any such debt or securities (or the granting of any guarantee) may reduce the amount recoverable by investors upon the Issuer's insolvency. If the relevant Issuer's or Guarantor's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including reduction of interest and principal and, if the Issuer or the Guarantor were to be liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

**3.3.6. *Change of law***

The Terms and Conditions of the Notes are, save to the extent referred to therein, based on Belgian law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes. Investors should note that the provisions of the Terms and Conditions contain certain provisions dealing with a change of law. Such provisions will be applied, in accordance with the law in force at the relevant time.

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

**3.3.7. *The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and a higher price volatility than conventional debt securities, liquidity may have a material adverse effect on the market value of Notes.

**3.3.8. *Credit ratings***

While Belfius Bank SA/NV is currently rated, Belfius Financing Company SA is not rated. Also the Notes to be issued under the Programme do not have a credit rating, and the Issuers currently do not intend to request a credit rating for the Notes to be issued at a later stage. This may impact the trading price of the Notes. There is no guarantee that the price of the Notes will cover the credit risk related to the Notes and the Issuers. In addition, there can be no assurance that, should a rating be requested in respect of the Notes, an investment grade rating would be assigned. One or more credit rating agencies may assign unsolicited additional credit ratings to the Notes.

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

There is no guarantee that any ratings in respect of Belfius Bank SA/NV will be maintained. The ratings in respect of Belfius Bank SA/NV may furthermore not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors (including a change of control affecting the Issuer) that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

### *3.3.9. Legal investment considerations may restrict certain investments*

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

### *3.3.10. Reliance on the procedures of the X/N System, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli for transfer, payment and communication with the Issuer*

The Notes may be issued in dematerialised form under the Belgian Companies Code and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the X/N System. Access to the X/N System is available through the X/N System participants whose membership extends to securities such as the Notes. The X/N System participants include certain banks, stockbrokers (“*beursvennootschappen*”/“*sociétés de bourse*”), and Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

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

Neither the Issuer, nor any Agent will have any responsibility for the proper performance by the X/N System or the X/N System participants of their obligations under their respective rules and operating procedures.

A Noteholder must rely on the procedures of the X/N System, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer nor any Agent will have no responsibility or liability for the records relating to, or payments made in respect of, the Notes within the X/N System, Euroclear or Clearstream, Luxembourg.

### *3.3.11. No Agent is required to segregate amounts received by it in respect of Notes cleared through the X/N System, Euroclear and Clearstream Luxembourg*

The Agency Agreement (as defined in the Terms and Conditions) provides that an Agent will debit the relevant account of the Issuer and use such funds to make payment to the Noteholders.

The Agency Agreement also provides that an Agent will, simultaneously with the receipt by it of the relevant amounts, pay to the Noteholder, directly or through the relevant clearing system, any amounts due in respect of the relevant Notes. However, no Agent is required to segregate any such amounts received by it in respect of the Notes, and in the event that such Agent were subject to insolvency proceedings at any time when it held any such amounts, Noteholders would not have any further claim against the Issuer in respect of such amounts, and would be required to claim such amounts from such Agent in accordance with applicable insolvency laws.

### *3.3.12. No Agent assumes any fiduciary or other obligations to the Noteholders*

Each Agent appointed in respect of Notes will act in its respective capacity in accordance with the Terms and Conditions and the Agency Agreement in good faith. However, Noteholders should be aware that the Agent assumes no fiduciary or other obligations to the Noteholders and, in particular, is not obliged to make determinations which protect or further the interests of the Noteholders.

Each Agent may rely on any information to which it should properly have regard that is reasonably believed by it to be genuine and to have been originated by the proper parties.

### *3.3.13. Potential Conflicts of Interest*

Potential conflicts of interest may exist between the Issuer, the Agents, the Calculation Agent and the Noteholders. The Calculation Agent in respect of any Series of Notes shall be the Issuer or the Guarantor, and this gives rise to potential conflicts including (but not limited to) with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Conditions that may influence any interest amount due on, and for the amount receivable upon redemption of, the Notes. Belfius Bank acts as principal paying agent under the Agency Agreement and will be arranging for payments to be made through the clearing systems in respect of the Notes. Belfius Bank and its affiliates may engage in trading activities (including hedging activities) related to any Notes, for its proprietary accounts or for other accounts under their management.

## *3.4. Risks related to the structure of a particular issue of Notes*

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

### *3.4.1. Risks that are applicable for Debt Securities as well as for Derivatives Securities*

#### *3.4.1.1. Notes subject to optional redemption by the Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. Investors that choose to reinvest moneys they receive through an optional early redemption may be able to do so only in securities with a lower yield than the redeemed Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***3.4.1.2. Index Linked Notes or other variable-linked Notes and Dual Currency Notes***

Each Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of (or of baskets of) securities, funds or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”) (“**Index Linked Notes**”). An investment in Index Linked Notes entails significant risks that are not associated with similar investments in a conventional fixed or floating rate debt security. Each Issuer believes that Index Linked Notes should only be purchased by investors who are, or who are purchasing under the guidance of, financial institutions or other professional investors that are in a position to understand the special risks that an investment in these instruments involves. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- such index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- the holder of a non-capital guaranteed Index Linked Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the Index Linked Note (only applicable for Derivatives Securities);
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;
- the risks of investing in an Index Linked Note encompass both risks relating to the underlying indexed securities and risks that are linked to the Note itself;
- any Index Linked Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- it may not be possible for investors to hedge their exposure to these various risks relating to Index Linked Notes;
- a significant market disruption could mean that the index on which the Index Linked Notes are based ceases to exist; and
- the index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.

In addition, the value of Index Linked Notes on the secondary market is subject to greater levels of risk than is the value of other Notes. The secondary market, if any, for Index Linked Notes will be affected by a number of factors, independent of the creditworthiness of each Issuer and the value of the applicable currency, stock, interest rate or other index, including the volatility of the applicable currency, stock, interest rate or other index, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, stock, interest rate or other index depends on a number of interrelated factors, including economic, financial and political events, over which each Issuer has no control. Additionally, if the formula used to determine the amount of principal, premium and/or interest payable with respect to Index Linked Notes contains a multiplier or leverage factor, the effect of any change in the applicable currency, stock, interest rate or other index will be increased. The historical experience of the relevant currencies, commodities, stocks, interest rates or other indices should not be taken as an indication of future performance of such currencies, stocks, interest rates or other indices during the term of any Index Linked Note. Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of certain Index Linked Notes.

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

Belfius Bank is active in the international securities and currency markets on a daily basis. It may thus, for its own account or for the account of customers, engage in transactions directly or indirectly involving assets that are “reference assets” under Index Linked Notes and may make decisions regarding these transactions in the same manner as it would if the Index Linked Notes had not been issued. Each Issuer and its affiliates may on the issue date of the Index Linked Notes or at any time thereafter be in possession of information in relation to any reference assets that may be material to holders of any Index Linked Notes and that may not be publicly available or known to the Noteholders. There is no obligation on the part of each Issuer to disclose any such business or information to the Noteholders.

#### ***3.4.1.3. Partly paid Notes***

Each Issuer may issue Notes where the issue price is redeemable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of its investment.

#### ***3.4.1.4. Notes with a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Moreover, the reference rate could be zero or even negative. Even if the relevant reference rate becomes negative, it will still remain the basis for the calculation of the interest rate, and a margin, if applicable, will be added to such negative interest rate. For the avoidance of doubt, the Noteholders will never be required to pay a coupon to the Issuer or the Guarantor.

#### ***3.4.1.5. Notes issued at a substantial discount or premium***

The market values of Notes issued at a substantial discount or premium to their nominal 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.

#### ***3.4.1.6. Foreign currency Notes expose investors to foreign-exchange risk as well as to Issuer risk; Exchange rate risks and exchange controls***

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



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

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

#### ***3.4.1.7. Specified Denomination of €100,000 plus integral multiples of a smaller amount***

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in **amounts** in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

#### ***3.4.1.8. A Noteholder's effective yield on the Notes may be reduced by transaction costs***

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including, but not limited to, domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs). In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

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

Payments of interest on the Notes, or profits realized by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. This Base Prospectus includes general summaries of certain Belgian tax considerations relating to an investment in the Notes issued by each of the Issuers (see the section headed "Belgian Taxation on the Notes"). Such summaries may not apply to a particular holder of Notes or to a particular issue and do not cover all possible tax considerations. In addition, the tax treatment may change before the maturity, redemption or termination date of Notes. The Issuers advise all investors to contact their own tax advisers for advice on the tax impact of an investment in the Notes.

#### ***3.4.1.10. Notes that are linked to a benchmark***

Reference Rates and indices, including interest rate benchmarks, such as the Euro Interbank Offered Rate ("**EURIBOR**") and the London Interbank Offered Rate ("**LIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent

years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated.

Regulation (EU) 2016/1011 (the “**Benchmark Regulation**”), which applies as of 1 January 2018, applies to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the European Union. Among other things, the Benchmark Regulation (i) requires Benchmark administrators to be authorised or registered (or, if based outside the European Union, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of Benchmarks of administrators that are not authorised or registered (or, if based outside the European Union, not deemed equivalent or recognised or endorsed). Pursuant to the Benchmark Regulation, an index provider needs to apply for authorisation or registration by 1 January 2020. It may, however, continue to provide an existing Benchmark (i.e., a Benchmark existing on or before 1 January 2018) until 1 January 2020 or, where an application for authorisation or registration is submitted, unless and until the authorisation or registration is refused. The Benchmark Regulation could adversely affect any Notes referencing a Benchmark, in particular if the methodology or other terms of the relevant Benchmark are changed in order to comply with the requirements of the Benchmark Regulation or in case of the discontinuation of a Benchmark as a result of the failure by a Benchmark administrator to be authorised or registered (or, if based outside the European Union, to be deemed equivalent or recognised or otherwise endorsed).

In March 2017, the European Money Markets Institute (“**EMMI**”) published a position paper setting out the legal grounds for certain proposed reforms to EURIBOR. The proposed reforms seek to clarify the EURIBOR specification, to align the current methodology with the Benchmark Regulation, the IOSCO Principles (i.e., nineteen principles which are to apply to Benchmarks used in financial markets as published by the Board of the International Organisation of Securities Commissions in July 2013) and other regulatory recommendations and to adapt the methodology to better reflect current market conditions. EMMI is more specifically aiming to evolve the current quote based methodology to a transaction based methodology in order to better reflect the underlying interest that it intends to measure and adapt to the prevailing market conditions. In particular, it is contemplated that it will be anchored on actual market transaction input data whenever available, and on other funding sources if transaction data are insufficient. In a statement published in January 2018, EMMI indicated that it aims to launch the hybrid methodology for EURIBOR by the fourth quarter of 2019 at the latest, in accordance with the transitional period provided for by the Benchmark Regulation. On 29 March 2018, EMMI launched its first stakeholder consultation on the hybrid methodology. The consultation will close on 15 May 2018 and will be followed by an in-depth testing of the proposed methodology under live conditions from May to August 2018.

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards.

On 21 September 2017, the ECB, the European Commission, ESMA and the Belgian Financial Services and Markets Authority announced that they would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate” which can serve as a basis for an alternative to current Benchmarks used in a variety of financial instruments and contracts in the euro area. Once it has made a recommendation, it will also explore possible approaches for ensuring a smooth transition to this rate. Furthermore, the ECB announced that it will start providing an overnight unsecured index before 2020.

The reforms described above or any other changes may cause a Benchmark to perform differently than in the past or to be discontinued, may create disincentives for market participants to continue to administer or participate in certain Benchmarks or may have other consequences which cannot be predicted.

Following the implementation of any such potential reforms, the manner of administration of Benchmarks may change, with the result that they may perform differently than in the past, or the Benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted.

The elimination of LIBOR or any other Benchmark, changes in the manner of administration of any Benchmark, or any other Benchmark Event could require or result in an adjustment to the interest calculation and related provisions of the Terms and Conditions as well as the Agency Agreement (as further described in Condition 9.3.6 (*Benchmark replacement*)), or result in adverse consequences to holders of any Notes linked to such Benchmark (including Floating Rate Notes and certain Variable Linked Rate Notes whose interest rates are linked to LIBOR or any other Benchmark that is or may become the subject of reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to a Benchmark may adversely affect such Benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same Benchmark.

The Terms and Conditions of the Notes provide for certain fall-back arrangements in the event that a published Benchmark, such as LIBOR, (including any page on which such Benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the Interest Rate could be set by the Issuer (without a requirement for the consent or approval of the Noteholders) by reference to a Successor Rate or an Alternative Reference Rate and that such Successor Rate or Alternative Reference Rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the relevant circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant Benchmark. In certain circumstances, the ultimate fall back of interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes and certain Variable Linked Rate Notes (as applicable) based on the Interest Rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser (if applicable), the relevant fall-back provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of, and return on, any Notes to which the fall-back arrangements are applicable. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could adversely affect the ability of the Issuer to meet its obligations under the Floating Rate Notes and Variable Linked Rate Notes (as applicable) or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes and Variable Linked Rate Notes (as applicable). Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes and Variable Linked Rate Interest Notes.

### ***3.4.2. Risks that are specific to Debt Securities***

#### ***3.4.2.1. Risks relating to Fixed to Floating Rate Notes or Floating to Fixed Rate Notes***

Notes which are “Fixed to Floating Rate Notes” or “Floating to Fixed Rate Notes” may bear interest at a rate that each Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Each Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes, since each Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If each Issuer converts from a fixed rate to a floating rate, the spread on the Fixed to Floating Rate Notes may be less favorable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If each Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

#### ***3.4.2.2. Investors will not be able to calculate in advance their rate of return on Floating Rate Notes and Variable Linked Rate Notes***

A key difference between Floating Rate Notes and Variable Linked Rate Notes, on the one hand, and Fixed Rate Notes, on the other hand, is that interest income on Floating Rate Notes and Variable Linked Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes and Variable Linked Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having fixed interest periods. Furthermore, in a declining interest rates environment, if the Terms and Conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk, because investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

#### ***3.4.2.3. Zero Coupon Notes are subject to higher price fluctuations than non-discounted notes***

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

#### ***3.4.3. Risks that are specific to Derivatives Securities***

The holder of a non-capital guaranteed Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on such Note.

## 4. CHOICES MADE BY THE ISSUERS

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According to article 5(4) of Directive 2003/71/EC, the Issuers have chosen to issue notes under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuers choose as their home Member State the Kingdom of Belgium.

The Issuers have freely defined the order in the presentation of the required items included in the schedules and building blocks of the Commission Regulation (EC) n°809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (herein referred to as “**Regulation (EC) 809/2004**”) according to which this Base Prospectus is drawn up. The chosen presentation is a consequence of the combination of Annex IV, Annex V, Annex VI and Annex XI of Regulation (EC) 809/2004. In order to enable the Noteholders to identify in the presentation below the corresponding provisions of Regulation (EC) 809/2004, cross-references will be made to the relevant annexes of Regulation (EC) 809/2004 and their subsections. Finally, any items which do not require, in their absence, an appropriate negative statement according to Regulation (EC) 809/2004, are not included in the presentation when the Issuers so determine.

# 5. RESPONSIBILITY STATEMENT

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## (Annex V.1, IV.1 and XI.1 of Regulation (EC) 809/2004)

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

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

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

- (a) such consent is given only for the use of this Base Prospectus, as supplemented from time to time, in relation to Public Offers of Notes occurring within 12 months from the date of this Base Prospectus;
- (b) such consent relates only to the offer period of the applicable Public Offer (the “**Offer Period**”);
- (c) such consent only relates to Public Offers made in Belgium;
- (d) the relevant Authorised Offeror is authorised to make Public Offers under Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the “**MiFID Directive**”) provided, however, that, if any Authorised Offeror ceases to be so authorised, then the consent of the Issuer shall be given only for so long as each Authorised Offeror is so authorised to make Public Offers under the MiFID Directive;
- (e) any other conditions relating to the relevant Public Offer (as specified in the relevant Final Terms) are complied with.

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

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

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

The Issuers have not authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with its offer of any Notes unless (i) the offer is made by an Authorised Offeror as described above or (ii) the offer is otherwise made in circumstances falling within an exemption from the requirement to publish a prospectus under the prospectus Directive. Any such

unauthorized offers are not made on behalf of the Issuers and the Issuers have no responsibility or liability for the actions of any person making such offers.

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

## 6. DOCUMENTS INCORPORATED BY REFERENCE

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This Base Prospectus should be read and construed in conjunction with the audited consolidated accounts of Belfius Bank (<https://www.belfius.com/>) for the years ended 31 December 2016 and 31 December 2017, including the reports of the statutory auditors in respect thereof, as well as for Belfius Bank the half-yearly report for the period ending 30 June 2018 (the “Half-Yearly Report 2018”) (available on <https://www.belfius.com/EN/results/index.aspx>), which are incorporated by reference in this Base Prospectus.

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

This Base Prospectus should also be read and construed in conjunction with the audited consolidated accounts of Belfius Financing Company (<https://www.belfius-financingcompany.lu/>) for the years ended 31 December 2016 and 31 December 2017, including the reports of the statutory auditors in respect thereof, as well as the semi-annual unaudited key financial figures for 30 June 2018 for Belfius Financing Company (Unaudited interim accounts as at 30 June 2018 available on <https://www.belfius-financingcompany.lu/FR/rapports-annuels/index.aspx>), and incorporated in Annex 5 of this Base Prospectus).

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

The tables below set out the relevant page references for:

- (a) the (i) consolidated balance sheet, (ii) consolidated statement of income, (iii) consolidated statement of comprehensive income, (iv) consolidated statement of change in equity, (v) consolidated cash flow statement, (vi) audit report on the consolidated accounts, (vii) notes to the consolidated financial statements, (viii) non-consolidated balance sheet, (ix) non-consolidated statement of income, (x) audit report on the non-consolidated accounts and (xi) alternative performance measures (APMs) of Belfius Bank as set out in the 2016 and 2017 Annual Reports of Belfius Bank; and
- (b) the (i) unaudited consolidated balance sheet, (ii) unaudited consolidated statement of income, (iii) unaudited consolidated statement of comprehensive income, (iv) unaudited consolidated statement of change in equity, (v) unaudited consolidated cash flow statement, (vi) audit report on the consolidated accounts, and (vii) notes to the consolidated financial statements of Belfius Bank for the period ended 30 June 2018 as set out in the Half-Yearly Report 2018.
- (c) the accounting policies, notes and auditors’ reports of Belfius Financing Company for the financial years ended 31 December 2016 and 31 December 2017, and the references to the unaudited semi-annual report of 30 June 2018.

Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus.

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



<b>Belfius Financing Company</b>	<b>Annual Report 2016 Audited</b>	<b>Annual Report 2017 Audited</b>	<b>Report on the Interim Accounts on 30 June 2018 Unaudited</b>
Balance Sheet	4	6	3
Statement of Income	6	8	5
Audit Report on the Accounts	1	1	N/A
Notes to the Accounts	8	10	7

The consolidated balance sheet and consolidated statement of income of Belfius Bank can be found in the section headed “8. Belfius Bank SA/NV” of this Base Prospectus.

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

	<b>Annual Report 2016 (English version) audited</b>	<b>Annual Report 2017 (English version) audited</b>	<b>Half-Yearly Report 2018 (English version) unaudited – condensed</b>
Consolidated balance sheet.....	96	132	62
Consolidated statement of income.....	98	134	66
Consolidated statement of comprehensive income	99	135	68
Consolidated statement of change in equity.....	100	136	70
Consolidated cash flow statement.....	104	141	76
Audit report on the consolidated accounts .....	222	278	158
Notes to the consolidated financial statements.....	105	142	79
Non-consolidated balance sheet.....	226	288	N/A
Non-consolidated statement of income .....	229	291	N/A
Audit report on the non-consolidated accounts .....	232	294	N/A
Alternative performance measures accounts APM ..	236	296	N/A

# 7. BELFIUS FINANCING COMPANY SA

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(Annex IV of Regulation (EC) 809/2004)

## 7.1. General Information

Belfius Financing Company, SA is registered with the Register of Commerce and Companies of Luxembourg under number B 156767 ("**R.C.S Luxembourg**"). The articles of association of the Issuer were last amended and restated by notarial deed on 7 May 2014.

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

Belfius Financing Company has existing senior and subordinated bonds outstanding. Some bonds are listed for trading on the Luxembourg Stock Exchange.

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

According to Article 4 of its Articles of Association, the purpose of the Company is:

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

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

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

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

As at 31 December 2017, the share capital of the Belfius Financing Company amounts to EUR 3,094,004, fully subscribed and paid up to the extent of the aggregate amount of EUR 2,113,004 and represented by 251 shares without par value, held by its sole shareholder, Belfius Bank S.A./N.V.. The unaudited Interim accounts on 30 June 2018 (balance sheet and Profit and Loss Account) is available on:

<https://www.belfius-financingcompany.lu/EN/annual-reports/index.aspx>Belfius Financing Company is dependent on Belfius Bank for the set-up, marketing and sale of its Notes issues. In addition, Belfius Financing Company relies on the fees paid by Belfius Bank to finance its corporate activities.

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

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

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

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

The auditors of Belfius Financing Company are Deloitte Audit Sàrl, 560, rue de Neudorf, L-2220 Luxembourg, being member of Deloitte Touche Tohmatsu.

The relevant auditor's report with respect to the audited annual accounts of Belfius Financing Company for the years ended 31 December 2016 and 31 December 2017, as incorporated by reference (See *Section 6. Documents incorporated by reference*), were delivered without any reservations.

## *7.2. Management Board*

Belfius Financing Company has a Board of Directors. As of 25 September 2018, the Board of Directors of Belfius Financing Company is composed of:

Category A Directors:

Dirk Gyselinck

Kristin Claessens

Category B Directors

Benoît Felten

Christoph Finck

## *7.3. Selected Financial Information*

The following tables summarise the audited balance sheet and, income statement of Belfius Financing Company for the period ending 31 December 2016 and 31 December 2017, as well as the unaudited Cash Flow Statement of Belfius Financing Company as at 31 December 2017 and as at 30 June 2018.

**Audited Balance Sheet of Belfius Financing Company as of  
31 December 2016 and 31 December 2017**

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**BALANCE SHEET**

As at December 31, 2017

(expressed in thousands of EUR)

<u>ASSETS</u>	Notes	2017 EUR	2016 EUR
<b>SUBSCRIBED CAPITAL UNPAID</b>	6	<b>981</b>	<b>981</b>
Subscribed capital not called		981	981
<b>FORMATION EXPENSES</b>	3	<b>32</b>	<b>91</b>
<b>CURRENT ASSETS</b>		<b>9.868.679</b>	<b>10.630.238</b>
Debtors	4	323.805	528.503
<i>becoming due and payable within one year</i>		21.324	85.091
<i>becoming due and payable after more than one year</i>		302.481	443.412
Investments	5	9.542.157	10.097.672
Cash at bank and in hand		2.717	4.063
<b>PREPAYMENTS</b>		<b>5</b>	<b>5</b>
<b><u>TOTAL (ASSETS)</u></b>		<b><u>9.869.697</u></b>	<b><u>10.631.315</u></b>
 <b><u>CAPITAL, RESERVES AND LIABILITIES</u></b>			
<b>CAPITAL AND RESERVES</b>	6	<b>4.603</b>	<b>5.509</b>
Subscribed capital		3.094	3.094
Reserves		665	399
Profit brought forward		229	1.360
Profit for the financial year		615	656
<b>PROVISIONS</b>		<b>565</b>	<b>1.338</b>
<b>CREDITORS</b>	7	<b>9.864.433</b>	<b>10.624.391</b>
<i>becoming due and payable within one year</i>		2.090.187	2.690.192
<i>becoming due and payable after more than one year</i>		7.774.246	7.934.199
<b>DEFERRED INCOME</b>		<b>96</b>	<b>77</b>
<b><u>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</u></b>		<b><u>9.869.697</u></b>	<b><u>10.631.315</u></b>

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

**Audited Profit and Loss Account of Belfius Financing Company as of  
31 December 2016 and 31 December 2017**

BELFIUS FINANCING COMPANY S.A.  
Société Anonyme  
**PROFIT AND LOSS ACCOUNT**  
For the year ended December 31, 2017  
(expressed in thousands of EUR)

	Notes	2017 EUR	2016 EUR
<b>Staff costs</b>	12	<b>(266)</b>	<b>(244)</b>
Wages and salaries		(225)	(205)
Social security costs		(28)	(27)
<i>Relating to pensions</i>		<i>(18)</i>	<i>(17)</i>
<i>Other social security costs</i>		<i>(10)</i>	<i>(10)</i>
Other staff costs		(13)	(12)
<b>Value adjustments</b>	3	<b>(59)</b>	<b>(59)</b>
In respect of formation expenses		(59)	(59)
<b>Other operating expenses</b>	8	<b>(795)</b>	<b>(602)</b>
<b>Other interest receivable and similar income</b>	13	<b>184.193</b>	<b>223.916</b>
Derived from affiliated undertakings		184.190	223.911
Other interest and similar income		3	5
<b>Interest payable and similar expenses</b>		<b>(182.201)</b>	<b>(222.047)</b>
Other interest and similar expenses	9	(182.201)	(222.047)
<b>Tax on profit</b>		<b>(260)</b>	<b>(305)</b>
<b>PROFIT AFTER TAXATION</b>		<b>612</b>	<b>659</b>
<b>Other taxes</b>		<b>3</b>	<b>(3)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>615</b>	<b>656</b>

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

**Unaudited Cash Flow Statement of Belfius Financing Company as at 31 December 2017 and as at 30 June 2018**

The cash flow statements below have been drawn up solely and exclusively for the purpose of the compliance of this Base Prospectus with the requirements of Directive 2003/71/EC. As a consequence, these cash flow statements have been established after the date on which the audited financial statements for the financial years 2017 and 2018 (half year) have been published and therefore have not been audited by the statutory auditors of Belfius Financing Company. The cash flow statements for the financial year 2017 are based on the audited financial statements of the said years and have been drawn up in accordance with Lux GAAP.

(Cash Flow Statement expressed in EUR)

**CASH FLOW STATEMENT**

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

	31 December 2017	30 June 2018
NET CASH PROVIDED BY OPERATING ACTIVITIES	175,647,162	62,591,176
NET CASH PROVIDED BY INVESTING ACTIVITIES	0	0
NET CASH PROVIDED BY FINANCING ACTIVITIES	-176,992,460	-125,715,627
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	<b>-1,345,298</b>	<b>-63,124,451</b>
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF PERIOD</b>	<b>3,419,754</b>	<b>2,074,456</b>
<b>CASH &amp; CASH EQUIVALENT AT THE END OF PERIOD</b>	<b>2,074,456</b>	<b>-61,049,995</b>

# 8. BELFIUS BANK SA/NV

(Annex XI of Regulation (EC) 809/2004)

## 8.1. Belfius Bank profile

Belfius Bank SA/NV (“**Belfius Bank**”) is a public limited company (*naamloze vennootschap/société anonyme*) established on 23 October 1962 for an unlimited duration and incorporated under Belgian law which collects savings from the public. The Issuer is licensed as a credit institution in accordance with the Belgian Banking Law. It is registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185 and has its registered office at 1210 Brussels, Place Charles Rogier 11, Belgium. Belfius Bank’s LEI code is A5GWLFH3KM7YV2SFQL84.

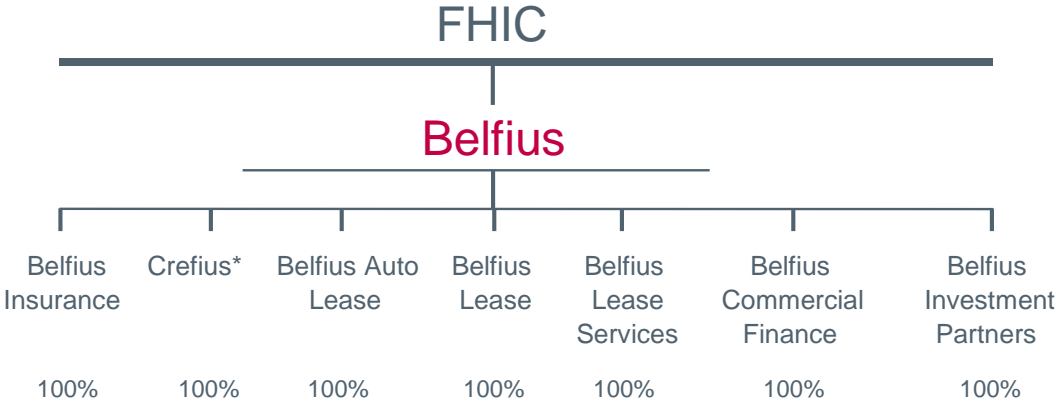
The share capital of Belfius Bank is three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616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

Within the framework of the governmental agreement announced in July 2017, the Federal Government has given Belfius the green light to prepare a partial privatisation of Belfius by way of an initial public offering (IPO) of a minority stake of the bank (up to 49%). The effective ‘execution’ of the IPO, is however still subject to approval by the Belgian State. Recently the Belgian government decided, in close consultation with the Federal Holding and Investment Company (FHIC), that the IPO would be postponed due to the current unfavourable market conditions. The Belgian government declared that it will reassess, on a frequent basis and together with FHIC and Belfius’ Board and Management, this matter.

At the end of June 2018, total consolidated balance sheet amounted to EUR 167 billion.

With an essentially Belgian balance sheet for its commercial activities and customers from all segments, Belfius Bank is in a position to act as a universal bank “of and for Belgian society”. Belfius Bank is committed to maximal customer satisfaction and added social value by offering products and providing services with added value through a modern distribution model. Thanks to a prudent investment policy and a carefully managed risk profile, Belfius Bank aspires to a sound financial profile that results in a solid liquidity and solvency position.

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



Belfius and its consolidated subsidiaries are referred to in this simplified group structure chart as “**Belfius**”.

\* Crefius is involved in granting and managing mortgages loans

## 8.2. Main commercial subsidiaries

### ***Belfius Insurance***

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of June 2018, total consolidated balance sheet of Belfius Insurance amounted to EUR 21 billion<sup>8</sup>.

### ***Crefius***

Company servicing and managing mortgage loans. At the end of June 2018, total balance sheet of Crefius amounted to EUR 40 million<sup>9</sup>.

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

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of June 2018, total balance sheet of Belfius Auto Lease amounted to EUR 322 million<sup>10</sup>.

### ***Belfius Lease***

Company for financial leasing and renting of professional capital goods. At the end of June 2018, total balance sheet of Belfius Lease amounted to EUR 798 million<sup>11</sup>.

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

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of June 2018, total balance sheet of Belfius Lease Services amounted to EUR 1,988 million<sup>12</sup>.

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

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of June 2018, total balance sheet of Belfius Commercial Finance amounted to EUR 994 million<sup>13</sup>.

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

Company for administration and management of funds. At the end of June 2018, total balance sheet of Belfius Investment Partners amounted to EUR 149 million<sup>14</sup>.

## **Results 2017**

In 2017, Belfius recorded a net income group share of EUR 606 million, against EUR 535 million in 2016, up 13.1%. The bank's contribution to the consolidated net income 2017 amounted to EUR 435 million (compared to EUR 335 million in 2016) and the insurance group's contribution to EUR 171 million (compared to EUR 201 million in 2016).

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<sup>8</sup> Belfius 1H 2018 Results - Presentation to analysts and investors, slide 46, available at: [https://www.belfius.com/EN/Media/Belfius%201H%202018%20results%20-%20presentation\\_tcm\\_77-158857.pdf](https://www.belfius.com/EN/Media/Belfius%201H%202018%20results%20-%20presentation_tcm_77-158857.pdf)

<sup>9</sup> Total IFRS balance sheet before consolidation adjustments

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

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

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

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

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



In a challenging interest rate environment, Belfius continues to realise very good performances. The result reflects the continued successful implementation of the bank-insurance model and the strong growth of commercial volumes despite significant deferred tax reassessment (EUR -106 million) due to the decrease of the corporate income tax rate as from 2018 onwards.

The result also benefitted from efficient financial management and strict cost containment, despite important investments in innovation and strategic priorities like digitalisation. Higher income (+4%) and stable costs (+0.2%) lead to a cost to income ratio that further improved to 58.1%, compared to 60.5% at year-end 2016. Cost of risk amounted to EUR 33 million in 2017 against EUR 116 million in 2016.

Net income before tax stood at EUR 963 million, up EUR 183 million or 23.5% compared to 2016. Tax expense, including deferred taxes, amounted to EUR 357 million in 2017 compared to EUR 244 million in 2016. This increase is mainly driven by the reassessment of (net) deferred tax assets following the Belgian corporate income tax reform enacted before year-end 2017, whereby the nominal corporate income tax rate will gradually decrease from 33.9% to 25% by 2020. This resulted in an additional tax expense for the banking group of EUR 64 million and EUR 42 million for the insurance group.

As a result, Belfius net income group share amounted to EUR 606 million following the Belgian corporate income tax reform for 2017, compared to EUR 535 million in 2016.

At the end of December 2017, total equity amounted to EUR 9.5 billion, against EUR 9.0 billion as of 31 December 2016

The CET1 ratio (phased in) was 16.1% at 31 December 2017 compared to 16.6% at 31 December 2016. The CET1 ratio (fully loaded) was 15.9% at 31 December 2017 compared to 16.1% at 31 December 2016.

The total capital ratio (phased in) amounted to 18.6% at the end of 2017 against 19.4% at the end of 2016. The total capital ratio (fully loaded) amounted to 18.1% at the end of 2017 against 18.4% at the end of 2016.

At the end of 2017, regulatory risk exposure (phased in) of Belfius amounted to EUR 50,620 million, an increase of EUR 3,890 million compared to EUR 46,730 million at the end of 2016. Risk-weighted exposure also stems from the Danish Compromise, whereby the capital instruments issued by Belfius Insurance and held by Belfius Bank are included in the regulatory risk exposure via a weighting of 370%.

At the end of 2017, the Belfius leverage ratio (phased in) – based on the current CRR/CRD IV legislation – stood at 5.6%. The leverage ratio (fully loaded) stood at 5.5%.

#### Minimum CET1 Requirement (SREP)

Based on the most recent “Supervisory Review and Evaluation Process” (SREP), Belfius must comply for 2018 with a minimum CET 1 ratio (phased in) of 10.125%, which is composed of:

- a Pillar 1 minimum of 4.5%;
- a Pillar 2 Requirement (P2R) of 2.25%;
- a Capital Conservation Buffer (CCB) of 1.875%; and
- a O-SII buffer of 1.5%.

Note that the ECB has also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 ratio for 2018.

Based upon the phasing in of the Capital Conservation Buffer which will increase from 1.875% in 2018 to 2.5% in 2019 and all other things remaining equal (including, for the avoidance of doubt, Belfius’ P2R which may or may not remain the same), this will lead to a 10.75% fully loaded minimum CET1 requirement for 2019.

In addition, Belfius Bank must take into account a 0.5% shortfall in Additional Tier 1 instruments, which brings the effective fully loaded minimum CET1 ratio requirement to 11.25%.

Further to these regulatory requirements, Belfius has set, under current market conditions and applying the current legislation, a minimum operational CET 1 ratio of 13.5% on solo and consolidated levels. This ratio has as a purpose to safeguard the capacity of Belfius to pay a dividend and to decide independently a dividend policy under financial stress situations. Moreover, Belfius works currently with a CET1 ratio target that lies 2% higher than this minimum operational level to take into account unforeseen elements. Belfius wishes to manage its solvability in normal and stable circumstances in line with this target ratio, unless the buffer, as mentioned above, (partially or completely) has been used and on the condition that the legislations for consolidated and statutory solvency ratios do not change substantially.

## Results 1H 2018

Belfius' Net Income before tax 1H 2018 stands at EUR 473 million, up 6% from 1H 2017. The bank contributed EUR 274 million and the insurer EUR 199 million.

Solid growth of the net income before tax is compensated by an increase of tax expenses, hence leading to net income of EUR 335 million in 1H 2018, i.e. 7% down compared to a net income of EUR 361 million in 1H 2017.

Further growing commercial franchise and efficient financial management continue to support the profit capacity of Belfius:

- Resilient Net interest income of the bank despite low interest rate environment.
- Stable Fee & Commission income of the bank thanks to successful profit diversification and bancassurance strategy.
- Cost containment programs well on track, even in light of accelerating investments in both the digitalization of financial services in Belgium and in people to support the commercial growth, leading to operating costs of EUR 690 million and to a C/I ratio of 58.8%.
- Sound risk management and good credit quality of the portfolios continue to translate into historically low cost of risk (EUR 9 million in 1H 2018 vs. EUR 24 million in 1H 2017), which further benefited from the sale of some Italian government bonds in 1H 2018.

Belfius continues to demonstrate solid solvency levels: 16.3% CET 1 Fully Loaded at consolidated level and 210% Solvency II ratio for Belfius Insurance.

Net asset value at EUR 9.4 billion, slightly below end 2017 level, as remaining part of FY 2017-dividend has been paid in April 2018.

Belfius' Board of Directors of 8 August 2018 decided to pay an interim dividend, relative to 1H 2018 results, of EUR 100 million to the Belgian State.

## 8.3. Activities

### Segment reporting

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

- **Retail and Commercial (RC)**, managing the commercial relationships with individual customers and with small & medium sized enterprises both at bank and insurance level;
- **Public and Corporate (PC)**, managing the commercial relationships with public sector, social sector and corporate clients both at bank and insurance level;
- **Group Center (GC)**, containing the residual results not allocated to the two commercial segments. This mainly consists of results from bond and derivative portfolio management. Note that as from 1 January 2017, Belfius integrated the former Side segment<sup>15</sup> into Group Center.

#### 8.3.1. Retail and Commercial (RC)

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<sup>15</sup> Until the end of 2016, the Side segment incorporated the Legacy portfolios, which were inherited from the Dexia-era.

Belfius Bank is the number two bank-insurer in Belgium with approximately 3.6 million retail and commercial customers served through 661 branches, the new ‘remote’ advice and sales centre “Belfius Connect”, and a large number of automatic self-banking machines. Belfius Bank is also a leader in the mobile banking space, with over 1 million active mobile users, the highest mobile banking penetration amongst Belgian banks. Belfius Bank offers individuals, self-employed persons, the liberal professions and small and medium-sized enterprises (“SMEs”) a comprehensive range of retail, commercial and private banking and insurance products and services. Its ambition is to offer all basic banking and insurance products through the mobile, paperless, end-to-end and real-time channels by 2020.

Belfius Insurance offers insurance products to retail and commercial customers through the Belfius Bank branch network, as well as through the tied agents network of DVV insurance. It also offers insurance products through Corona Direct Insurance, a direct insurer active via the Internet and “affinity partners”, which are external parties with which Corona collaborates and which offer Corona insurance products. Belfius Insurance’s business model is increasingly focused on bank-assurance, with Belfius Bank branches being the channel with the highest growth. Belfius Insurance has also integrated the Elantis brand, which offers mortgage loans and consumer loans through independent brokers, for the balance sheet of Belfius Insurance, Belfius Bank and a third party bank.

Belfius Insurance is the sixth largest insurer<sup>16</sup> in Belgium, focusing mainly on the retail market.

### ***Strategy***

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

- to progress from customer satisfaction (95% for 2017) to customer recommendation (i.e., committed customers who are prepared to recommend Belfius);
- to further develop a differentiated and digitally supported business model, with an ideal balance between qualitative relationship management on the one hand and efficient, user-friendly direct channels on the other. Two complementary omni-channel approaches are being developed for that purpose:
  - o an approach with a digital and remote-access focus geared towards retail customers combined with value-added branch interactions at key life moments for customers; and
  - o an approach with account management focus geared towards privileged, private and business customers supported by convenient digital and remote-access tools;
- to increase the dynamic market share in core products to a minimum of 15%; and
- to further implement Belfius’ continued focus on processes with value added for Belfius’ customers, with a reduction in the cost to income ratio.

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

- a more granular sub-segmentation of the customer base with appropriately designed value propositions for each of them;
- an accelerated digital transformation to enable client convenient direct sales of the ten most important bank and insurance products, supported by in-depth customer knowledge via data analysis, the principle of mobile first and paperless sales transactions supported by digital tools and services for the account manager;
- an innovative distribution strategy with a customer oriented approach which is becoming more omni-channel in every aspect. In the future, branches will concentrate even more on proactive advice for

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<sup>16</sup> 2016: data from Assuralia; 2017: data not yet available.

the privileged, private and business customer segments. Information, service and sales for retail customers will increasingly be conducted through digital and remote-access channels. Belfius Connect, a new “remote” advice and sales centre, ensures better commercial accessibility for customers by satisfying their needs from early in the morning to late into the evening; and

- the further development of an all-in property offer (via Belfius Immo, a subsidiary of Belfius) and the development of Belfius Investment Partners, a specialised subsidiary of Belfius that manages investment funds for the purpose of completing the investment products offering of Belfius for Retail and Commercial customers.

The management of Belfius believes that this strategy enables Belfius to continue its revenue diversification and expansion, driven by the momentum in fee and commission income, through increased cross-selling. By more effectively cross-selling its banking and insurance products, resulting in a higher customer equipment rate, Belfius also targets an increased sales productivity and increasing direct sales of value-adding products.

### ***RC commercial performance in 1H 2018***

The commercial activity continues to show excellent dynamics. Belfius enjoys a strong growth in total savings and investments of EUR 2.1 billion in 1H 2018, amounting to EUR 106.5 billion thanks to strong organic growth in non-maturing products.

On-balance sheet deposits totalled EUR 66.2 billion on 30 June 2018, up +4.0% from the end of 2017. There was very good growth in the funds deposited in current and savings accounts, which reached EUR 13.0 billion (+11.8%) and EUR 42.6 billion (+2.8%) respectively at the end of June 2018. Less customer funds found their way to long-term fixed rate investments, resulting in a drop of 4.2% for savings certificates to an amount of EUR 2.2 billion. The less favorable stock markets and the further evolved MiFID regulation lead to a change in product mix with more non-maturing deposit products versus fewer asset management products.

Off-balance sheet investments went slightly down by 0.8% in 1H 2018, compared to the end of 2017, to EUR 30.1 billion, mainly due to unfavorable market conditions.

Life insurance reserves for investment products amounted to EUR 10.2 billion, down 1.4% compared to the end of 2017. Investments in Branch 21 life insurance guaranteed products decreased because of the low interest rates, but that drop was partially offset by a strong increase in Branch 23 and Branch 44 products.

Total loans to customers rose strongly to EUR 46.5 billion at the end of June 2018. The increase occurred mainly in consumer loans (+10.7%) and business loans (+5.0%). Mortgage loans, which account for two thirds of all loans in this segment, amounted to EUR 31.2 billion at the end of June 2018 and remained at a high level with an increase of 2.1 % compared to the end of 2017.

New long term loans granted to retail and commercial clients during 1H 2018 amounted to EUR 5.2 billion compared to EUR 4.9 billion in 1H 2017. In 1H 2018, the new production of mortgage loans slightly decreased from EUR 2.9 billion in 1H 2017 to EUR 2.7 billion. During the same period, EUR 2.0 billion in new long-term business loans were granted, up 21.7% compared to 1H 2017. Belfius assisted 6,460 new start-ups in 1H 2018.

The total insurance premium production from customers in the Retail and Commercial segment amounted to EUR 951 million in 1H 2018, compared to EUR 916 million in 1H 2017, an increase of 3.8%.

Life insurance production stood at EUR 656 million in 1H 2018<sup>17</sup>, up 2.7% compared to 1H 2017<sup>18</sup>. Unit-linked (Branch 23) premiums went up strongly (+11.9%). Traditional Life (Branch 21/26) production decreased (-6.1%) following the low interest rate environment. These evolutions demonstrate the life product mix transformation: less guaranteed products and more unit-linked products.

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<sup>17</sup> Of which EUR 478.3 million Gross Written Premiums and EUR 177.3 million transfers.

<sup>18</sup> Of which EUR 319.6 million Gross Written Premiums and EUR 318.6 million transfers.

Non-Life insurance production in 1H 2018 stood at EUR 295.5 million, up 6.3% compared to 1H 2017, thanks to the bank distribution channel and good performance in all other strategic distribution channels (e.g. Corona Direct Insurance, DVV).

Indeed, thanks to the “one-stop-shopping” concept of Belfius, the mortgage loan cross-sell ratio for property insurance stood at 84.7% in 1H 2018 compared to 84.3% in 1H 2017. With a ratio of 139% in 1H 2018 Belfius also continues to show a solid mortgage loan crosssell ratio for credit balance insurance.

Total insurance reserves in the Retail and Commercial segment amounted to EUR 14.0 billion. Life insurance reserves increased since the end of 2017 by 0.3% to EUR 12.9 billion in 1H 2018 in a context of historically low interest rates. Unit-linked reserves (Branch 23) increased by 9.8%, while traditional guaranteed life reserves (Life Branch 21/26) decreased by 2.1%, demonstrating the life product mix transformation from guaranteed products to unit-linked products. Non-life reserves remained stable at EUR 1 billion.

Belfius continues to set the pace in mobile banking in Belgium and further developed its digitally supported business model. On 30 June 2018, Belfius apps for smartphones and tablets had 1,151,000 users (+7.5% compared to end of 2017) and were consulted by customers on average (slightly more than) once a day. The very high satisfaction figures show that continuous innovation, focused on user-friendliness and utility for the customer is profitable.

Belfius continues to extend the functionalities of its direct channels. In 1H 2018, 46% of the new pension saving contracts, 30% of the new credit cards and 27% of the new savings accounts were subscribed via direct channels.

RC net income after tax amounted to EUR 241 million in 1H 2018 compared to EUR 245 million in 1H 2017.

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

Belfius offers a comprehensive range of banking and insurance products and services to approximately 12,000 public and social institutions and 10,600 corporates. In 2017, it had the market leading position in the public and social sector anchored by its over 150-year involvement in the sector, as well as being the fourth-largest bank for corporates by loans. Belfius has successfully developed its corporate offering, expanding its market share of loans to medium and large-sized corporates from 8.7% in 2013 to 12.2%<sup>19</sup> in 2017. Belfius estimates that it serves approximately 50% of Belgian corporate clients (representing approximately 60% penetration of corporates and mid-corporates and 25% of large Belgian corporates).

#### *Strategy*

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

Customer satisfaction is one of Belfius’ top priorities, with Public and Corporate clients reporting 98% customer satisfaction in 2017. Belfius has established a focused strategy to maintain this high standard. First, Belfius offers a wide range of classic banking and insurance products meeting all basic financial needs as effectively as possible. In addition to these traditional products, Belfius also looks to add value to its client relationships by leveraging its deep client and market understanding and offering tailor-made products and services to meet the needs of public, social and corporate clients.

In light of the challenges faced by public institutions in Belgium, Belfius continues to pursue its Smart Belgium programme, through which Belfius, together with partners from the public sector, the private sector and academic institutions, has created a forum in which smart solutions for a sustainable society can be developed. Through the Smart Belgium programme, Belfius acts as a financial partner and contact for local governments, intermunicipal authorities, start-ups, businesses, hospitals, schools, rest homes, care centres, academics and citizens, supporting these partners with their smart projects which can fall under eight areas: mobility, the circular economy, the environment, ecosystems, urban development, healthcare, education and energy.

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<sup>19</sup> Estimated figure.

In the corporate sector, Belfius builds on mutual trust and respect in order to develop sustainable and long-term client relationships. This aspiration for client intimacy means that Belfius does not focus on only selling products, but also on advising, servicing and consulting with clients. To realise these objectives Belfius took a series of actions over the past few years, including:

- partnering with subsidy consultants in order to help clients with their applications for potential government subsidies;
- connecting wealth management and corporate banking to create a two-way flow between private and professional aspects of the client-bank relationship;
- developing employee benefit products with a focus on mobility solutions (e.g. car leases), wage improvements (e.g. warrants and bonuses) and risk protection (e.g. hospitalisation, group insurance and collective pension plans);
- supporting international trade and mitigating related risks through trade finance (e.g. documentary credits, warranties and standby letters of credit), international payment solutions and cash pooling; and
- assisting clients with working capital management through the development of sound strategies and in-depth analyses of inventory management, credit management, and cash and treasury management.

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

To further build its service offering towards corporate clients and to replicate in equity capital markets the success achieved in debt capital markets, Belfius entered into a strategic partnership with Kepler Cheuvreux in 2017. Kepler Cheuvreux is a leading independent European financial services company specialised in advisory services and intermediation. The company has four business lines: Equities, Debt & Derivatives, Investment Solutions and Corporate Finance. Headquartered in Paris, the group employs around 550 staff. The partnership will create a new equity franchise with a strong local presence in Belgium, offering clients services in equity capital markets transactions, equity research, institutional sales and brokerage. This partnership is expected to further deepen Belfius' integrated customer offering and provide access to key corporate customer insight.

Belfius is of the opinion that the successful implementation of its Public and Corporate strategy will continue and enhance the segment's solid growth since 2015, enabling Belfius to reach a (loan) market share above 15% in the Belgian corporate sector, evidencing its place as one of the major corporate sector servicing banks in Belgium.

### ***PC commercial performance in 1H 2018***

On 30 June 2018, total savings and investments stood at EUR 32.9 billion, an increase of 2.4% compared with the end of 2017. On-balance sheet deposits decreased by EUR 0.6 billion (-2.6%), to EUR 22.6 billion. The off-balance sheet investments registered an increase of 16.6% to reach EUR 9.7 billion. Life insurance reserves for investment products amounted to EUR 0.6 billion.

Total outstanding loans increased by EUR 0.7 billion (or 2.0%) to EUR 39.0 billion. Outstanding loans in Public and Social banking slightly decreased mainly due to lower demand, increased competition on the Public and Social Sector market, and the structural shift to more alternative financing sources through (Debt) capital markets. Belfius' commercial strategy towards Belgian corporates results in an increase of 8.8% (compared to December 2017) of outstanding loans to EUR 11.8 billion at the end of June 2018. Off-balance sheet commitments increased with 3.7% to EUR 21.2 billion.

Belfius granted EUR 3.1 billion (+21%) of new long-term loans in the Belgian economy for Corporate customers and the Public sector in 1H 2018. Long-term loan production for Corporate customers increased by 24% to EUR 2.3 billion. This increase is a.o. the result of our growth ambition in this corporate segment and a pertinent and clear positioning as a "Business to Government" market specialist.

Despite poor market demand in 1H 2018, Belfius still granted EUR 0.8 billion in new long-term funding to the Public sector. The bank is and remains uncontested market leader, and replies to every funding tender from Public sector entities. It manages the treasury of practically all local authorities.

Belfius also confirmed its position as leader in Debt Capital Markets (DCM) for (semi-)Public and Corporate customers by offering diversified financing solutions. During 1H 2018, the bank has placed a total funding amount of EUR 2.9 billion short term and EUR 0.3 billion long term notes (allocated amount) for public and social sector clients and kept its level of participation rate at 85%. The long term funding amount placed is slightly lower than in 1H 2017 partly due to one delayed benchmark transaction of a large public entity towards 2H 2018. With a participation rate of 44% in new long term bond issuances, Belfius also confirmed during 1H 2018 its position as leader in bond issues for Belgian corporate clients, and placed a total amount of EUR 1.0 billion short term and EUR 0.1 billion long term notes.

Belfius also structured and placed capital market transactions within Equity Capital Markets (ECM), such as IPO's, capital increases and private placement of shares for various corporate clients in 1H 2018. These mandates were executed in close cooperation with Kepler Cheuvreux, Europe's leading independent equity broker, with whom Belfius entered into a strategic partnership in November 2017 to create a new equity franchise with strong local presence in Belgium. Additionally, Kepler Cheuvreux also published its first independent equity research reports for listed Belgian corporates in 1H 2018.

With regard to insurance activities, total gross production in the Public and Corporate segment amounted to EUR 225 million in 1H 2018. Gross production in the life segment amounted to EUR 141 million in 1H 2018, down 11% compared to 1H 2017, mainly due to the historically low interest rate environment. Gross production in the non-life segment amounted to EUR 85 million in 1H 2018, a decrease of almost EUR 5 million or 5.5% compared to 1H 2017. In 2Q 2018, Belfius Insurance decided to focus its non-life insurance business on the segment of social sector through direct distribution and to put the non-life-activities towards other institutional and corporate customers through the brokerage channel in run-off, and to reallocate freed-up resources to its strong developing non-life insurance business with SME customers through its own (bank and DVV) distribution channels.

PC net income after tax amounted to EUR 127 million in 1H 2018 compared to EUR 122 million in 1H 2017.

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

From 1 January 2017, Group Center operates through two sub-segments:

- Run-off portfolios, which are mainly comprised of:
  - o a portfolio of bonds issued by international issuers, especially active in the public and regulated utilities sector (which includes the UK inflation-linked bonds), covered bonds and ABS<sup>20</sup>/RMBS<sup>21</sup>, the so-called ALM Yield bond portfolio;
  - o a portfolio of credit guarantees, comprising credit default swaps and financial guarantees written on underlying bonds issued by international issuers, and partially hedged by Belfius with monoline insurers (mostly Assured Guaranty); and
  - o a portfolio of derivatives with Dexia entities as counterparty and with other foreign counterparties;
- ALM liquidity and rate management and other group Center activities, composed of liquidity and rate management of Belfius (including its ALM Liquidity bond portfolio, derivatives used for ALM management and the management of central assets) and other activities not allocated to commercial activities, such as corporate and financial market support services (e.g. Treasury), the management of

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<sup>20</sup> Asset-Backed Securities.

<sup>21</sup> Residential Mortgage-Backed Securities.

two former specific loan files inherited from the Dexia era (loans to *Gemeentelijke Holding/Holding Communal* and Arco entities), and the Group Center of Belfius Insurance.

These portfolios and activities are further described below:

### **8.3.3.1. Bond Portfolio**

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

The ALM Liquidity bond portfolio is part of Belfius Bank's total liquidity coverage ratio ("LCR") liquidity buffer and is a well-diversified, high credit and liquidity quality portfolio.

At the end of June 2018, the ALM Liquidity bond portfolio stood at EUR 7.5 billion<sup>22</sup>, down EUR 0.5 billion or 7% compared to December 2017, mainly due to the sale of Italian sovereign bonds (EUR 0.8 billion) partially compensated by a reinvestment program of EUR in LCR eligible bonds. End of June 2018, the portfolio was composed of sovereign and public sector (67%), covered bonds (25%), assetbacked securities (5%) and corporates (2%). The Italian government bonds in the ALM Liquidity bond portfolio amounted to EUR 1.5 billion<sup>23</sup> as of 30 June 2018.

At the end of June 2018, the ALM Liquidity bond portfolio has an average life of 8.9 years, and an average rating of BBB+ (100% of the portfolio being investment grade (IG)).

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

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

At the end of June 2018, the ALM Yield bond portfolio stood at EUR 3.6 billion<sup>24</sup>, down 0.7% compared to December 2017, mainly due to amortizations. End of June 2018, the portfolio was composed of corporates (70%), sovereign and public sector (12%), asset-backed securities (11%), and financial institutions (7%). Almost 85% of the corporate bonds, mainly composed of long-term inflation linked bonds, are issued by highly-regulated UK utilities and infrastructure companies such as water and electricity distribution companies. These bonds are of satisfactory credit quality, and the majority of these bonds are covered with an issuer credit protection by a credit insurer (monoline insurer) that is independent from the bond issuer.

At the end of June 2018, the ALM Yield bond portfolio has an average life of 20.5 years and the average rating remained at A. 95% of the portfolio is investment grade (IG).

### **8.3.3.2. Derivatives portfolio**

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

During the period it was part of the Dexia Group, former Dexia Bank Belgium (now Belfius Bank) was Dexia Group's "competence centre" for derivatives (mainly interest rate swaps). This meant that all Dexia entities were able to cover their market risks with derivatives with Dexia Bank Belgium, mainly under standard contractual terms related to cash collateral. Former Dexia Bank Belgium systematically re-hedged these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius accounts: once in relation to Dexia-entities and once for hedging. The remaining outstanding notional amount of derivatives with Dexia-entities and non-collateralised interest rate derivatives with international non-financial counterparties amounted to EUR 30.7 billion<sup>25</sup> at the end of June 2018 (compared to EUR 34.3 billion at the end of December 2017), of which EUR 25.8 billion with Dexia entities (compared to EUR 29.2 billion at the end of December 2017). The fair value of those Dexia derivatives amounts to EUR 4.1 billion.

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<sup>22</sup> Nominal amount

<sup>23</sup> Nominal amount

<sup>24</sup> Nominal amount

<sup>25</sup> Nominal amount



At the end of June 2018, the average rating of the portfolio stood at A- and the average residual life of the portfolio stood at 14.3 years<sup>26</sup>.

### ***Credit guarantees***

At the end of June 2018, the credit guarantees portfolio amounted to EUR 3.8 billion<sup>27</sup>, down 2% compared to December 2017, mainly due to amortizations. It relates essentially to Financial Guarantees, and Credit Default Swaps issued on corporate/public issuer bonds (84%), ABS (13%) and covered bonds (3%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) result in a portfolio that is 100% investment grade (IG) in terms of credit risk profile. This portfolio also contains Total Return Swaps for an amount of EUR 0.4 billion<sup>28</sup>.

At the end of June 2018, the average rating of the portfolio remained at A- and the average residual life of the portfolio stood at 10.1 years.

### **8.3.3.3. Other Group Center activities**

The other activities allocated to Group Center include:

- the interest rate and liquidity transformation activity performed within ALM, after internal transfer pricing with commercial business lines, including the use of derivatives for global ALM management;
- the management of two legacy loan files inherited from the Dexia era, i.e., the investment loans to two groups in liquidation, namely *Gemeentelijke Holding/Holding Communal* and some Arco entities;
- the results from hedging solutions implemented for clients (so-called financial markets client flow management activities);
- the results of treasury activities (money market); and
- the results including revenues and costs on assets and liabilities not allocated to a specific business line.

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

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

GC net income after tax stood at EUR -33 million in 1H 2018, compared to EUR -6 million in 1H 2017.

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

### ***Interim dividend***

The Board of Directors has decided to pay out an interim dividend of EUR 100 million in September 2018.

## ***8.5. Risk Management***

### **Fundamentals of credit risk in 2017**

#### ***Banking activities in Retail and Commercial***

Belgium experienced a robust economic growth throughout 2017, especially during the first half of the year. This growth was driven by an even stronger growth of the world economy and the increase of investments. As a result, job creation peaked. Against this background, lending to the Retail and Commercial business line

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<sup>26</sup> Calculated on EAD

<sup>27</sup> Nominal amount

<sup>28</sup> Nominal amount

remained at a high level, and this was based on a stable lending policy in general, albeit adjusted for some elements (see below).

Demand for consumer credit remained stable in 2017. The criteria used for granting consumer loans remained generally unchanged from the preceding years and in line with the “Responsible Lending” charter of the Belgian Financial Sector Federation (Febelfin). 2017 was the first year during which customers could apply for a consumer loan via mobile platforms, by using the Belfius App. Throughout 2017, approximately 10% of the consumer loan applications were introduced via mobile channels. The rules for evaluating mobile loan requests remained basically the same as for loans requested through traditional channels. Belfius remains, however, very vigilant on the risk profile of mobile loan requests, both in terms of credit risk and fraud risk.

The production of mortgage loans was very much sustained throughout 2017 and remained at almost the same level as in 2016. The early repayment wave (and the consecutive internal financing) which characterised 2015 and 2016, faded out in 2017. Nevertheless, Belfius’ portfolio of mortgage loans substantially grew over 2017, due to the increased financing of new real estate projects, i.e. property acquisitions or constructions. The share of loans with a higher LTV combined with a longer maturity in the portfolio slightly increased, because of the evolution of the product mix (higher proportion of loans to younger borrowers for a first home acquisition). The “LTV ratio” means the loan-to-value ratio. This is the ratio used by lenders to express the ratio of the loan to the value of the asset purchased. Notwithstanding this evolution, the overall credit quality of the mortgage portfolio remained excellent, and even slightly improved (as illustrated by the average probability of default).

The historical low risk level of the mortgage portfolio is also reflected by the cost of risk that remains at a very low level. The Risk Department continued its reinforced monitoring of the potential higher risk segments of mortgage loans (combinations of longer repayment terms, higher loan-to-value financing ratios and higher debt service costs vs. income ratios, as well as buy-to-let transactions). The bank took measures to keep production in these niches within strict limits. This approach is in line with the concerns expressed by the National Bank of Belgium with regard to the evolution of the Belgian residential real estate and mortgage market.

Belfius has more than 275,000 self-employed workers, professionals and SMEs as customers. Each one of them can rely on the personal service of a business banker. Belfius Bank’s approach to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2017. This strategy contributes to a better customer service, while numerous tests and realised statistics indicate that the risk remains under control. The continuous fine-tuning of the decision-making logic and the enhanced and quickly reactive monitoring on deteriorating risk profiles is bearing fruit. Through the new “Go4Credits” project, Belfius further enhanced in 2017 the efficiency of its credit approval process for the Commercial Business line.

The overall profitability and strength of Belgian SMEs remained good, although the latter are more and more confronted with a changing consumer pattern (e.g. e-commerce). In 2017, according to Graydon 10,831 companies were forced to cease business, which was 7.6% more than in 2016. The number of bankruptcies increased most in the Brussels-Capital Region, i.e., by 34.3%. The increase in the Walloon Region remained limited to 7.2%, while Flanders showed a decrease of 1.9%. At the sectoral level, the hotel and catering industry suffered 2,149 bankruptcies (+8.1%). More bankruptcies were also pronounced in sectors such as construction, business services, transport and car dealers. As a result, 21,297 jobs were put at risk, which is 2.8% more than a year before. Overall, the cost of business loans at Belfius Bank remained at a good risk/return level and within the target levels. Belfius therefore intends to keep supporting the production of business loans, also in relation to start-ups. At the same time, the Risk department continues the improvement of the process of early warning indicators in order to keep permanently the risks in this market segment well under control.

### ***Banking activities in Public and Corporate***

In 2017, Belfius kept providing the public and social sector, as well as mid & large companies, with an extensive and integrated range of dedicated products and services. It strengthened its partnership with the customers from the public and social sector by continuing to invest in having an in-depth knowledge of their needs and continuing to be able as such to offer them new and tailored solutions to fund their operations, manage their

finances and meet their insurance requirements. The strategy to also become the reference partner for corporates that service this public and social sector (Business-to-Government) was further implemented.

The Public Sector loans portfolio maintained its very low risk profile. Since 2012, local authorities have nearly stabilized their global expenditures as a result of a decrease of interest charges (-6.6% per year) and of capital expenditures (-6.0% per year), which both compensated for the rise of their current expenditures (+1.2% per year). The evolution of these current expenditures remained under control as well, partly because of the low inflation and partly because of the decline in the number of local public servants. The investments of local authorities amounted to EUR 3 billion in 2016, compared to EUR 4 billion in 2012, a decline of almost 30%. This historically low level of investments worsened the already existing underinvestment for the whole Belgian public sector. During the same period, local authorities managed to improve their balance of payments with on average 2.5% per year. This balance even became positive in 2015 and 2016. In parallel, partly as a result of the moderate investment dynamics, the debt level of local authorities fell below the threshold of EUR 24 billion, which represents 5.13% of the total public debt in Belgium. 2017 generally confirmed these tendencies: expenditures were well kept under control, restraint investment dynamics and fiscal receipts were somewhat under pressure. Aside from the current budgetary limits, some other structural reforms will weigh on the finances of municipalities in the coming years, such as the ongoing pension reform for their statutory staff, the contribution of local authorities to remedying Belgian public finance, the consequences of the tax shift (approved in 2016 by the Federal government) which gradually erodes the taxable basis of the municipal additional taxation, the challenges of the ageing population and finally the increasing costs of social aid and security. All these challenges brought about a lot of movement in the local landscape, especially in Flanders. Many activities of municipalities or provinces, in particular related to the management of public real estate and infrastructure (with respect to public utilities), have been transferred to autonomous companies. Public centres for social welfare increasingly create mutual associations, with the intention of developing closer collaboration around welfare and care. In many places, the activities of the municipality and the public centre for social welfare have been partially merged. This spontaneous trend precedes the already planned full integration of both. Meanwhile, there were also a lot of mergers between police zones looking for a scale-up, and the first mergers between municipalities have been announced.

From a risk management point of view, the hospital sector remains a focus of attention. The potential developments in the area of hospital funding are closely monitored. The indebtedness of Belgian hospitals has increased importantly the past 5 years. The operating profit of the sector - after a stabilization in 2015 – deteriorated again for the second consecutive year. As a consequence, some hospitals display a structural shortfall in repayment capacity. According to Belfius' studies, the Belgian hospital sector seems somewhat underfunded and an overcapacity regarding beds and infrastructure prevails. The Minister of Public Health has drafted the general outlines of a plan to address these challenges.

Belfius' corporate business is focused on Belgian companies with a turnover in excess of EUR 10 million. With 10,600 customers, Belfius is positioned as a challenger in this segment, but the growth strategy launched in 2015 was successfully pursued in 2017. Belfius has taken the necessary measures to ensure that this growth strategy goes hand in hand with a good creditworthiness and acceptable risk concentrations. The credit profile of the corporate lending remained fairly stable during 2017, which also meant that the cost of risk remained at an acceptable level and within the limits set. Real GDP growth in Belgium accelerated in 2017 to 1.7%, supported by low interest rates and a declining unemployment. The wage restraint, the 2015 index jump and the tax shift have made especially our bigger and exporting companies more competitive. The announced reduction of the corporation tax can give them a further boost. As a result, the general recovery of profitability of Belgian corporates - already started in 2014 - continued in 2017. However, the constitutional crisis in Catalonia and the Brexit may create difficulties. The planned Brexit could especially weight on Belgium's economic expansion: 8.8% of Belgian exports are directed to the UK, representing 7.7% of GDP, the largest share (as a projection of national output) amongst EU countries. A follow-up of global Brexit risks and impacts at portfolio level was put in place, but did not reveal critical problems.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. In the shipping industry, Belfius Bank continued to focus exclusively, as it has done in previous years, on shipping companies and other shipping-related businesses that have a commercial relationship with the bank and a clear link with the Belgian economy. Connections with companies that do not meet these criteria were further reduced. One year after excess capacity caused the sector's worst-ever crisis (e.g. in August 2016, the Korean based Hanjin shipping, the world's 7th largest shipping company, filed for bankruptcy), the market is more and more dominated by players with big ships. The growing use of mammoth ships is key in view of a possible turnaround. Companies who own them are able to deploy fewer vessels and move more cargo on one single journey. However, in general, market conditions remained difficult in 2017. Freight rates generally still remained below historical levels. The excess of shipping capacity kept putting pressure on freight rates, as new entrants expanded and old vessels still remained.

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

Finally it is worth mentioning that Belfius further intensified its portfolio management in the course of 2017, in the first place through the gradual sale of higher risk exposures and/or exposures that are no longer considered as being core business (e.g. shipping-related business without a commercial relationship), but also by developing risk hedging and risk sharing programs.

### ***Insurance***

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

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

The definition of Full Exposure At Default ("**FEAD**")<sup>29</sup> is determined as follows:

- for balance sheet assets (except for derivatives): the gross carrying amounts (before impairment);
- for derivatives: the fair value of derivatives increased with the potential future exposure (calculated under the current exposure method or add-on);
- for reverse repurchase agreements: the carrying amount as well as the excess collateral provided for repurchase agreements;

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<sup>29</sup> Belfius uses the term of Full EAD or FEAD. Full Exposure At Default (FEAD) is the total exposure at default (EAD), including the total amount of a free credit line and other off-balance-sheet transactions (with the exception of derivatives), before application of credit conversion factors (CCF). EAD is an estimation of the maximum extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty's default (Source: Belfius Risk Report 2017).

- for off-balance sheet commitments: either the undrawn part of liquidity facilities or the maximum commitment of Belfius for guarantees granted to third parties (including financial guarantees given).

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

As at 30 June 2018, the total credit risk exposure within Belfius reached EUR 167.0 billion, a decrease of EUR 6.8 billion or 3.9 % compared to the end of 2017.

At bank level the credit risk exposure decreased with 3.0 % to EUR 152.9 billion. At the level of Belfius Insurance, the credit risk exposure went down by 12.5% to EUR 14.1 billion at 30 June 2018.

#### Breakdown of credit risk by counterparty

(FEAD, in EUR billion)	31/12/17	30/06/18	Of which	
			Bank	Insurer
Central governments	24.8	22.8	16.9	5.9
of which government bonds	12.9	9.7	4.0	5.7
Public sector entities	47.4	46.6	44.7	1.9
Corporate	29.5	30.7	29.4	1.3
Monoline insurers	3.5	4.3	4.3	-
ABS/MBS	1.0	0.9	0.8	0.1
Project Finance	2.0	1.9	1.9	-
Individuals, self-employed and SMEs	45.2	46.5	43.0	3.5
Financial institutions	19.7	13.2	11.9	1.3
Other	0.7	-	-	-
<b>TOTAL</b>	<b>173.8</b>	<b>167.0</b>	<b>152.9</b>	<b>14.1</b>

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (28% of the total) and on individuals, self-employed and SMEs (28% of the total) constitute the two main categories. The credit risk exposure on public sector entities slightly decreased with EUR 0.8 billion, while the credit risk exposure on individuals, self-employed and SMEs increased by EUR 1.4 billion due to increasing commercial activities. The expansion of Belfius' corporate activities is also reflected in higher credit risk exposure (+EUR 1.2 billion) for this segment leading to an increase of its relative proportion from 17% by the end of 2017 to 18% by June 2018.

The relative proportion of the segment central governments remained stable in relative terms at 14%, but went down with EUR 2.0 billion in June 2018. The decrease is mainly explained by the sale of Italian and Belgian government bonds in the first quarter of 2018. Belfius has sold part of its Italian government bond and swap package, for a notional amount of EUR 0.8 billion, which were classified in First Time Adoption IFRS 9 under a "hold-to-collect and sell" business model. The sale was in line with Belfius' objective to flexibly manage part of its concentration risk on Italian government bonds. The transaction value for the sale amounts to EUR 1.1 billion (FEAD), with a positive impact on the net result of first half of 2018 of EUR 21 million (after reversal of related impairment provision and net of tax).

More than half (53%) of the government bonds portfolio is invested in Belgian government bonds at the Group level. While at bank level the Belgian government bonds represents 39% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 64%.

The credit risk exposure on financial institutions further decreased during the first half of 2018 by EUR 6.5 billion and stood at 8% by 30 June 2018 against 11% at the end of 2017, resulting from the incorporation of excess collateral received in the netting of derivatives. The credit risk on monoline insurers on bonds issued by issuers principally active in infrastructure and public utilities projects is predominantly an indirect risk arising from credit guarantees written by Belfius Bank and reinsured with monoline insurers. During the first half of 2018, the relative proportion of the monoline insurers went down from 2.4% at the end of 2017 to 2% by 30 June 2018.

Belfius' positions are mainly concentrated in the European Union: 96% or EUR 152.9 billion at bank level and 95% or EUR 12.9 billion for Belfius Insurance. The total relative credit risk exposure on counterparties situated in Belgium is 73%, 6% in the United Kingdom, 4% in France, 2% in Italy and in the United States and Canada and 1% in Spain.

The credit risk exposure to counterparties in the United Kingdom amounted to EUR 9.9 billion as of end June 2018. About half of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water, gas and electricity distribution. These bonds are of satisfactory credit quality (100% investment grade), and moreover the majority of the outstanding bonds are covered with a credit protection issued by a credit insurer that is independent from the bond issuer. The remainder concerns the bond portfolio of Belfius Insurance, a short-term credit portfolio for treasury management of Belfius Bank and receivables on clearing houses. The credit risks on those portfolios are also of good credit quality.

At 30 June 2018, 84% of the total credit risk exposure had an internal credit rating of investment grade (IG).

### ***Asset quality***

At the end of June 2018, the volume of gross outstanding loans and advances to customers grew by 3%, whereas the amount of impaired loans and advances to customers amounted to EUR 1,917 million, representing an increase of 5% compared to 1 January 2018. As a consequence, the asset quality ratio slightly increased from 2.15% as of 1 January 2018 to 2.20% at the end of June 2018 and, over the same period, the coverage ratio slightly decreased from 63.3% to 61.4%. These evolutions are due to a number of corporate loans, that went into default and that were adequately covered by collateral (inducing a proportionally lower degree of impairment). The collective impairments (stage 1 and 2) on loans and advances to customers decreased since 1 January 2018 by EUR 6 million to EUR 316 million at the end of June 2018.

### ***Liquidity risk***

#### *Consolidation of the liquidity profile*

During the first half of 2018, Belfius consolidated its diversified liquidity profile by:

- maintaining a funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors by issuing, amongst others, a benchmark covered bond and new Tier 2 instruments;
- collecting short and medium-term deposits (Commercial Paper (“CP”)/Certificates of Deposit (“CD”)/European Medium Term Notes (“EMTN”)) from institutional investors.

Belfius Bank participates to the ECB TLTRO funding programme with an amount of EUR 4.0 billion with a purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded). The ECB TLTRO refers to the targeted longer-term refinancing operations carried out by the ECB. These are Eurosystem operations that provide financing to credit institutions for periods of up to four years. They offer long-term funding at attractive conditions to banks in order to further ease private sector credit conditions and stimulate bank lending to the real economy.

The issuance of an additional tier 1 instrument (AT1) in the beginning of 2018 also had a positive impact on the liquidity. AT1 instruments are specific instruments issued by Belfius Bank for its regulatory capital purposes.

The Liquidity Coverage Ratio (LCR), introduced within the framework of the Basel III reforms, has become a pillar I requirement for European banks on 1 October 2015 (at a level of 60%). Belfius Bank reached end of June

2018 a 12 month average LCR of 133%<sup>30</sup>. The LCR of the Bank has remained above 100% during the first semester of 2018.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 116% end of June 2018.

#### *Minimum requirement for own funds and eligible liabilities*

A formal MREL level was given to Belfius by the Single Resolution Board in May 2018 at the level of 9.70% of its total liabilities and own funds, based on regulatory consolidated scope with prudential netting of derivatives exposures which is to be met at all times taking into account an evolving balance sheet. Based on data as of 30 June 2018, the MREL requirement of 9.70% of total liabilities and own funds amounts to EUR 12.52 billion. Following the current Single Resolution Board (“SRB”) methodology, Belfius Group exceeded the MREL based on data as at 30 June 2018 and no transitional period has been defined by the SRB for Belfius.

As mentioned in the SRB 2017 MREL Policy, the SRB has also set a subordination benchmark of Other Systemically Important Institutions (“O-SIIs”). The total subordination benchmark for Belfius has currently been set at 16 per cent. of the total risk-weighted exposures as of December 2016. This is a general level depending on the systemic importance of banks (12 per cent. plus fully fledged combined buffer requirement) of total risk weighted assets (“RWAs”) for O-SIIs.

The SRB reserves however the right to adjust the aforementioned policy or requirements at a later stage in the light of the future design of the Bank Recovery and Resolution Directive and further development of the MREL policy. In particular, the SRB is currently reviewing the scope of eligible liabilities for Belfius, which can result in the need for Belgium to increase the issuance of eligible liabilities. As a result, Belfius can be negatively affected, for instance due to higher funding costs.

Belfius will continue to manage its MREL position through the public and/or private issuance of MREL eligible instruments. Since the approval of the Belgian law in July 2017, Belfius has issued two benchmark non-preferred senior transactions in a total amount of €1.25 billion, but there can be no assurance that future issuances will be possible on similar terms or at all.

#### *Liquidity reserves*

At the end of June 2018, Belfius Bank had readily realisable liquidity reserves of EUR 32.5 billion. These reserves consisted of EUR 10.6 billion in cash, EUR 9.8 billion in ECB eligible bonds (of which EUR 5.9 billion are CCP-eligible (Central Counter parties)), EUR 10.0 billion in other assets also eligible at the ECB and EUR 2.1 billion in other liquid bonds.

These liquidity reserves represent 5.1 times the Bank’s institutional funding outstanding end of June 2018 and having a remaining maturity of less than one year.

#### *Funding diversification at Belfius Bank*

Belfius Bank has a historical stable volume of commercial funding that comes from its RC and PC customers.

RC and PC funding equals EUR 88.6 billion of which EUR 66.1 billion is from RC. The increase of EUR 1.9 billion commercial funding compared to end of 2017 is used to finance the increase of commercial loans.

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, was 92% at the end of June 2018.

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<sup>30</sup> From 1H 2018 onwards, Belfius discloses a 12 month average LCR in accordance to EBA guidelines on LCR disclosure.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 7.9 billion from covered bonds (EUR 5.5 billion backed by mortgage loans and EUR 2.4 billion by public sector loans), EUR 2.9 billion from Senior Unsecured, and EUR 4.0 billion in TLTRO funding from ECB as at 30 June 2018.

Note that during the second semester of 2017 Belfius Bank issued its first non-preferred senior notes after Belgian law was voted. These non-preferred senior bonds of EUR 1.25 billion have enabled Belfius to further contribute to the new expected regulatory requirement of MREL.

The remainder of Belfius' funding requirements comes from institutional short-term deposits (treasury) mainly obtained through the placement of certificates of deposit and commercial paper.

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

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

#### *Encumbered assets*

According to Belfius' current interpretation of the European Banking Authority ("EBA") guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 32 billion in June 2018 and represent 21% of total bank balance sheet and collateral received under securities format, which amounts to EUR 152.4 billion (EUR 148.8 billion assets and EUR 3.6 billion collateral received). This represents an increase of the encumbrance ratio of 0.6% compared to end 2017.

Belfius is active on the covered bond market since the set-up of the first covered bond programme in 2012.

In June 2018, the total amount issued was EUR 7.9 billion. New issues of EUR 0.7 billion were realised in the second quarter of 2018. End June 2018, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 9.8 billion (increase of EUR 0.7 billion compared to end 2017).

Belfius is also collecting funding through repo markets for a limited amount and other collateralised deposits. End June 2018, the total amount of assets used as collateral for this activity amounts to EUR 6.4 billion, of which EUR 4.3 billion linked to the ECB funding.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 12.7 billion (decrease of EUR 0.9 billion compared to end 2017), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the Bank concluded derivatives in the opposite direction.

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



## 8.6. Ratings

At 25 September 2018, Belfius Bank had the following ratings: [Note: subject to further update at the date of the Prospectus]

	<b>Long-term rating</b>	<b>Outlook</b>	<b>Short-term rating</b>
Fitch .....	A-	Stable	F2
Moody's .....	A2	Positive	Prime-1
Standard and Poor's .....	A-	Stable	A-2

## 8.7. Other information

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

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

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

### 8.7.1. Litigation

Belfius (Belfius Bank and its consolidated subsidiaries) is involved as a party in a number of litigations in Belgium, arising in the ordinary course of its business activities, including those where it is acting as an insurer, capital and credit provider, employer, investor and tax payer.

In accordance with IFRS, Belfius makes provisions for such litigations when, in the opinion of its management, after analysis by its company lawyers and external legal advisors as the case may be, it is probable that Belfius will have to make a payment and when the amount of such payment can be reasonably determined.

With respect to certain other litigations against Belfius of which management is aware (and for which, according to the principles outlined above, no provision has been made), management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending litigations, such litigations are without legal merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss.

The most important cases are listed below, regardless of whether a provision has been made or not. Their description does not deal with elements or evolutions that do not have an impact on the position of Belfius. If the cases listed below were to be successful for the opposite parties, they could eventually result in monetary consequences for Belfius. Such impact remains unquantifiable at this stage.

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

On 9 October 2012, the Housing Fund of the Brussels Capital Region (*Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la Région de Bruxelles-Capitale*) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 to four treasury notes issued by Municipal Holding (*Gemeentelijke Holding/Holding Communale*), placed by Belfius acting as dealer under the Municipal Holding commercial paper programme, between July and September 2011 (Commercial Paper programme). Due to severe financial difficulties encountered by the Municipal Holding, the Housing Fund granted a voluntary waiver to the Municipal Holding on 24 November 2011 and received repayment for EUR 16,000,000. The Municipal Holding entered into liquidation in December 2011. Due to the intervention of Belfius as dealer of the treasury notes, the Housing Fund demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim

by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

On 27 March 2014, the Brussels Commercial Court accepted the claim application by the Housing Fund, but declared it unfounded. The Housing Fund lodged an appeal against this judgement on 3 June 2014.

There was no significant evolution in this claim since 2016. The date of the hearings is not yet known.

No provision has been made for this claim.

#### **“Belfius 2016” CBA’s**

In 2014, two trade unions within Belfius Bank, BBTK<sup>31</sup> and ACLVB<sup>32</sup>, summoned the bank to demand the annulment of the collective bargaining agreements (“CBA’s”) “Belfius 2016” signed in 2013 by Belfius Bank with two other trade unions.

The Labor Court of Brussels decided, by an intermediary judgment of 8 June 2017 and a final judgment of 8 December 2017, that:

- CBA’s can be concluded with only one trade union, even if they modify CBA’s concluded with more trade unions ;
- Belfius did not violate the unions right to collective bargaining;
- “Belfius 2016” CBA’s did however not respect all formalities imposed by the CBA Act and for that reason they are declared relatively null;
- The unions’ claim with regard to the annulment of the “Belfius 2016” CBA’s for all Belfius Bank employees is not admissible;
- The unions’ claim for a moral compensation is not admissible.

Subsequent to the intermediary judgement, Belfius Bank refiled the initial version of the “Belfius 2016” CBA’s in June 2017, the registration of which was previously refused by the competent Federal Authority (FOD WASO/SPF ETCS). The FOD/SPF accepted on 4 July 2017 to register these CBA’s. In the opinion of Belfius Bank, this should cover the relative nullity of the “Belfius 2016” CBA’s as declared by the intermediary judgment. The union’s claim to also annul those CBA’s was rejected by the Court in its final judgment.

In December 2017, BBTK and ACLVB confirmed that they wouldn’t appeal the Labour Court’s judgment. Therefore, this judgement has become definitive and the “Belfius 2016” CBA’s are applicable towards all employees and all unions.

However, given the relative nullity of the “Belfius 2016” CBA’s as stated in the intermediary judgment, employees could still individually claim the application of the previous CBA’s in new court proceedings. In this context, Belfius has been summoned by an individual employee before the Labour Court of Brussels. Belfius is of the opinion that the chances of success of such procedure are limited.

No provision has been made for this case.

#### **Arco – Cooperative shareholders**

In September 2014, Arco shareholders started legal proceedings against the Arco companies, Belfius Bank and the Belgian State before the Commercial Court of Brussels (the “Brussels Commercial Court Proceedings”). There are 2,169 plaintiffs as at the date of this paper.

The plaintiffs essentially request that their Arco share subscriptions be declared null and void, and that the Arco companies, Belfius Bank and the Belgian State indemnify them for their investor losses.

Belfius Bank in turn claims indemnification from the Arco companies (as issuers of the Arco shares and authors of much of the relevant information and advertising).

The plaintiffs' claims amount to approximately EUR 6.5 million in principal. Belfius Bank submitted its first legal briefs on August 16, 2018, and oral pleadings are scheduled in June 2021. Judgment is not expected before late 2021 or early 2022.

On 24 October 2016, three Arcopar shareholders initiated further court proceedings against Belfius Bank before the Court of First Instance of Antwerp, section Turnhout (the "Turnhout Proceedings"). Belfius Bank impleaded Arcopar in the proceedings and the plaintiffs additionally summoned the Belgian State.

The plaintiffs mainly request that Belfius Bank be held liable to pay a provisional amount of EUR 2,100 to each plaintiff plus interest and costs, on the ground that Belfius Bank misled them in subscribing for Arcopar shares, and that the Arco companies, Belfius Bank and the Belgian State indemnify the plaintiffs for their investor losses.

Again, Belfius Bank in turn claims indemnification from the Arco companies (as issuers of the Arco shares and authors of relevant information and advertising).

The aggregate amount of the claims of the plaintiffs in the Turnhout Proceedings provisionally amounts to EUR 6,300 in principal. According to the procedural calendar, oral pleadings are scheduled on October 22, 2018. At that time, the Court will decide whether it will transfer the Turnhout Proceedings to the Brussels Court of First Instance, to join them with the Brussels Court of First Instance proceedings described in point 3 below.

On 7 February 2018, two cooperative shareholders sued the Belgian State before the Court of First Instance of Brussels. The plaintiffs subsequently impleaded Belfius Bank, and Belfius Bank in turn impleaded the Arco companies. Groups of Arco shareholders have organized themselves through social media in an effort to mobilize other Arco shareholders to join these proceedings. On the date of this prospectus, approximately 4,300 shareholders have joined these proceedings.

The plaintiffs mainly request that (i) the Belgian State be held liable for the losses which they suffered by not withdrawing from the Arco companies in reliance on the State's 2008 commitment to extend deposit guarantee protection to the Arco shares, and (ii) Belfius Bank pay damages on the ground of mis-selling.

Belfius Bank in turn claims indemnification from the Arco companies (as issuer of the Arco shares and author of relevant information and advertising).

The total amount of the claims can be estimated at EUR 9.5 million. No procedural calendar has been established in this case yet.

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

### **Ethias**

Belfius is party to a dispute with Ethias, the insurer of some of Belfius' pension plans. Ethias is currently managing one of Belfius' pension plans in a segregated fund, whereby 100% of the financial gains on the underlying assets are allocated to the plan according to a profit sharing agreement validly concluded between the parties. Ethias has claimed a significant increase in management costs which is not provided for in the existing agreements. Following Belfius' refusal to grant this increase, Ethias terminated the profit sharing agreement and threatened to transfer unilaterally the pension plan assets to Ethias' main fund. If that were to occur, the financial gains of the underlying assets would no longer be paid in full to the pension plan, and Belfius would be compelled to evaluate these assets based on Ethias' guaranteed rates (rather than at market value), which would have a negative impact of EUR 83 million on Belfius' other comprehensive income (OCI). In order to prevent this, Belfius summoned Ethias before the Court in Brussels in summary proceedings on 23 December 2016. Separately from the summary proceeding, Belfius also introduced a proceeding on the merit in the commercial court of Brussels on 12 January 2017.

On 18 January 2017, the Court in summary proceedings prohibited the transfer of the assets, subject to a penalty up to EUR 3 million, and ordered Ethias to continue allocating 100% of the financial gains to the segregated fund. Ethias appealed against the judgment before the Brussels Court of Appeal. On 20 June 2017, the Court again ruled against Ethias and maintained the prohibition on the transfer of the plan's assets. However, because summary proceedings do not allow an adjudication on the merits, the Court also ruled that Ethias was no longer required to allocate 100% of the financial gains to the pension plan, awaiting the judgment on the merits.

On 29 March 2018 Belfius introduced a request for an "interim injunction" before the commercial court of Brussels, as part of the proceeding on the merits and with the purpose of obtaining – from Ethias – the withheld financial information about the pension plan. The interim injunction is expected in the course of Q3 2018.

A first complete judgment on the merits is currently expected in the course of H1 2019. Based on clear and valid contractual stipulations, Belfius is of the opinion that Ethias may not (i) unilaterally increase the management costs, (ii) unilaterally de-segregate the pension plan and (iii) terminate the profit sharing agreement.

### **Funding Loss**

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

### **Investigation into "Panama Papers"**

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

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

## 8.7.2. Management and Supervision of Belfius Bank

### 8.7.2.1. Composition of the Management Board and the Board of Directors

#### A. Management Board

The Management Board currently has six members who have all acquired experience in the banking and financial sector. The members of the Management Board form a college.

As of the date of this Base Prospectus, the Management Board consists of the following six members:

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Marc Raisière .....	Chairman	none
Dirk Gyselinck .....	Member	none
Eric Hermann .....	Member	none
Olivier Onclin .....	Member	none
Dirk Vanderschrick.....	Member	Chairman of the Management Board of Belfius Insurance
Johan Vankelecom.....	Member	none

Changes in the composition and the distribution of tasks between the members of the Management Board are expected in the near future (1 January 2019) and are currently submitted to the approval of the regulators.

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

The Board of Directors has delegated all of its management powers to the Management Board set up from among its members. Such delegation of its powers does not extend to the determination of general policy, or to any other powers that are reserved pursuant to the Companies Code or to the Banking Law to the Board of Directors.

As a result, the Management Board is responsible for the effective management of Belfius Bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors.

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

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

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

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the management board and their private interests and other duties.

### ***B. Board of directors***

Belfius Bank is managed by its Board of Directors, which is entitled to take any action the right to which is not expressly reserved to the General Meeting of Shareholders of Belfius Bank by law or the articles of association of Belfius Bank. In accordance with the Banking Law, the Board of Directors has delegated to the Management Board of Belfius Bank all such powers to the maximum extent permitted under Belgian law.

Pursuant to the articles of association of Belfius Bank, the Board of Directors of Belfius Bank is composed of a minimum of 5 members appointed for maximum terms of four years. The table below sets forth the names of the Directors, their position within Belfius Bank and the other significant functions they perform outside Belfius Bank.

The business address for the members of the Board of Directors is 1210 Brussels, Place Charles Rogier 11, Belgium.

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

As at the date of this Base Prospectus, the Board of Directors consists of 15 members, 6 of whom sit on the Management Board.

The Board of Directors, which is made up of professionals from a variety of industries, including the financial sector, has the expertise and experience required associated with Belfius Bank's various operating businesses.

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Jozef Clijsters.....	Chairman of the Board of Directors of Belfius Bank	none
Marc Raisière .....	Chairman of the Management Board of Belfius Bank	none
Dirk Gyselinck .....	Member of the Management Board of Belfius Bank Responsible for Public & Corporate Banking, Financial Markets, Wealth Management	none
Eric Hermann .....	Member of the Management Board of Belfius Bank Chief Risk Officer	none
Olivier Onclin .....	Member of the Management Board of Belfius Bank Chief Operating Officer Responsible for Operations, IT, Purchasing & Facility Management and Organisation	none
Dirk Vanderschrick.....	Member of the Management Board of Belfius Bank Responsible for Retail and Commercial Banking	Chairman of the Management Board of Belfius Insurance

<b>Name</b>	<b>Position</b>	<b>Significant other functions performed outside Belfius Bank</b>
Johan Vankelecom.....	Member of the Management Board of Belfius Bank Chief Financial Officer Responsible for Financial Reporting, Research, Liquidity and Capital Management, Corporate Advisory, Asset and Liability Management, Legal and Tax	none
Paul Bodart.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Professor in Financial Markets at the Solvay Business School
Jean-Pierre Delwart.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Chairman of the Board of Directors of Solvac
Carine Doutrelepon.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer and Full Professor at the Université Libre de Bruxelles (ULB)
Georges Hübner .....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor at HEC Liège and the Liège University and Associated Professor at the University of Maastricht, School of Business and Economics, Limburg Institute of Financial Economics
Diane Rosen.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Finance Director of BAM Belgium SA
Chris Sunt.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer
Lutgart Van Den Berghe.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Executive Director at Guberna and Extraordinary Professor at the Vlerick Business School
Rudi Vander Vennet.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor in Financial Economics and Banking at the University of Ghent (UG) and Lecturer Banking and Insurance at Solvay Business School (ULB)

There are no potential conflicts of interest between any duties to Belfius Bank of the members of the board of directors and their private interests and other duties.

**8.7.2.2. Advisory committees set up by the board of directors**

The Board of Directors of Belfius Bank has established various advisory committees to assist in its task, i.e., a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of Non-Executive Directors. A Mediation Committee has also been established within the Belfius group.

There are no potential conflicts of interest between any duties to Belfius Bank of the members of any of the following advisory committees and their private interests and other duties.

**A. Nomination committee**

The Nomination Committee consists of at least three (3) members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors and a majority of them being independent directors (within the meaning of article 526ter of the Belgian Company Code). The chairman of the Board of Directors is a member of the Nomination Committee.

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

<b>Name</b>	<b>Position</b>
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Jozef Clijsters.....	Member – Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepon.....	Member – Director of Belfius Bank
Johan Tack	Director of Belfius Insurance, invited as representative of Belfius Insurance

The members of the Nomination Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on the composition and operation of Belfius Bank’s management bodies, in particular on the individual and collective skills of their members and their integrity, reputation, independence of spirit and availability.

The Nomination Committee:

- identifies and recommends, for approval of the Shareholders Meeting or of the Board of Directors as the case may be, candidates suited to fill vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected; the Nomination Committee also sets on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- periodically, and at least annually, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors;



- prepares proposals for the appointment or mandate renewal as the case may be of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board;
- assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines questions relating to problems with the succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures the application of provisions with regard to corporate governance;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- assesses the governance memorandum and if necessary proposes amendments; and
- at least annually discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work and actions to be taken to remedy situations.

In performing its duties, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of Belfius Bank as whole.

The Nomination Committee may use any type of resources that it considers to be appropriate to the performance of its task, including external advice, and receives appropriate funding to that end.

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

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

The Remuneration Committee consists of at least three (3) members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors and a majority of them being independent directors (within the meaning of article 526ter of the Belgian Company Code). The chairman of the Board of Directors is a member of the Remuneration Committee.

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

<b>Name</b>	<b>Position</b>
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Jozef Clijsters.....	Member – Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepon.....	Member – Director of Belfius Bank
Johan Tack	Director of Belfius Insurance, invited as representative of Belfius Insurance

The members of the Remuneration Committee have the required skills, on the basis of their education and professional experience, to give a competent and independent judgment on remuneration policies and practices and on the incentives created for managing risks, capital and liquidity of Belfius Bank.

In order to perform its tasks correctly, the Remuneration Committee interacts regularly with the Risk Committee and the Audit Committee.

The Risk Committee ensures that the Belfius group’s risk management, capital requirements and liquidity position, as well as the probability and the spread in time of profit are correctly taken into consideration in decisions relating to remuneration policy.

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

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

- Developing the remuneration policy, as well as making practical remuneration proposals for the chairman, the non-executive members of the Board of Directors and the members of the advisory committees under the Board of Directors. These remuneration proposals are discussed at the Board of Directors that submits them to the Shareholders Meeting for approval. Developing the remuneration policy as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board. The Board of Directors then determines the remuneration of the chairman and the members of the Management Board.
- Providing advice on the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the remuneration committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board.
- Advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material impact on the risk profile of the Belfius group (known as “Identified Staff”) and in relation to the compliance of the allocation of remuneration to Identified Staff with regard to the remuneration policy put in place for such people.
- Preparing the remuneration report approved by the Board of Directors and published in the annual report.
- Periodically checking to ensure that the remuneration programmes are achieving their objective and are in line with applicable conditions.
- Annually assessing the performance and objectives of the members of the Management Board.
- Providing an opinion of the elaboration of a global “Risk Gateway” in consultation with the Risk Committee, containing various levers applied at various points in the performance management cycle with an impact on determination of the variable remuneration.

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

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

**C. Audit committee**

The Audit Committee consists of at least three (3) members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors (within the meaning of article 526ter of the Belgian Company Code) and a majority of them must be independent directors.

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

<b>Name</b>	<b>Position</b>
Georges Hübner .....	Chairman Director of Belfius Bank

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

The majority of the members of the audit committee are independent within the meaning of Article 526ter of the Companies Code. Members of the audit committee have collective expertise in the field of the credit institution's operations as well as in the area of accounting and audit and at least one member of the audit committee is an expert in the field of accounting and/or audit.

The Audit Committee assists the Board of Directors in its task of carrying out prudential controls and exercising general supervision. The Audit Committee of Belfius Bank operates independently of the Audit Committee implemented at Belfius Insurance. However, the respective Audit Committees of Belfius Bank and Belfius Insurance meet jointly at least once a year. Additional joint meetings may be held at the request of the Chairman of the Audit Committee of Belfius Bank.

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

The Risk Committee consists of at least three (3) members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors (within the meaning of article 526ter of the Belgian Company Code) and a majority of them being an independent director.

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

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

The members of the Risk Committee have the individual expertise and professional experience required to define the strategy regarding risk and the level of risk appetite of Belfius Bank.

The Risk Committee has advisory powers and responsibilities with regard to the Board of Directors in the following areas:

- appetite and strategy regarding Belfius Bank's current and future risks, more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by Belfius Bank with its customer tariffs.
- assessing activities which expose Belfius Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and Belfius Bank's liquidity situation;

- the guarantee that risks are proportional to Belfius Bank’s capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on Belfius Bank’s risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing Belfius Bank; and
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP), the Recovery Plan and the Resolution Plan.

The Risk Committee of Belfius Bank operates independently of the Risk and Underwriting Committee of Belfius Insurance. On the request of the Chairman of Belfius Bank’s committee, a joint Risk Committee of Belfius Bank and Belfius Insurance may be held. To promote sound remuneration policy and practices, subject to the tasks of the Nomination Committee and the Remuneration Committee, the Risk Committee examines whether incentives in the remuneration system take proper account of the institution’s risk management, equity requirements and liquidity position, as well as the probability and distribution of profit over time.

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

***E. Mediation Committee***

A Mediation Committee has been established within the Belfius group.

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

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

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

### 8.7.2.3. Selected Financial Information

#### Consolidated Balance Sheet

	Notes	31 December 2016	31 December 2017
		<i>(in thousands of EUR)</i>	
<b>Assets</b>			
Cash and balances with central banks .....	5.2.	5,111,050	10,236,669
Loans and advances due from banks .....	5.3.	22,002,553	14,121,427
Loans and advances to customers .....	5.4.	89,702,399	90,056,926
Investments held to maturity .....	5.5.	5,393,247	5,441,999
Financial assets available for sale .....	5.6.	18,819,789	17,982,597
Financial assets measured at fair value through profit or loss .....	5.7.	2,985,979	3,240,298
Derivatives .....	5.9.	25,307,222	20,303,034
Gain/loss on the hedged item in portfolio hedge of interest rate risk .....	5.9.	4,533,779	3,720,764
Investments in equity method companies .....	5.10.	97,044	31,481
Tangible fixed assets .....	5.11.	1,091,687	1,059,212
Intangible assets .....	5.12.	122,541	162,074
Goodwill .....	5.13.	103,966	103,966
Current tax assets .....		10,662	20,343
Deferred tax assets .....	5.14.	405,847	235,399
Other assets .....	5.15.	1,004,389	1,224,230
Non current assets (disposal group) held for sale and discontinued operations .....	5.16.	28,772	18,782
<b>Total assets</b> .....		<b>176,720,926</b>	<b>167,959,201</b>
		<i>(in thousands of EUR)</i>	
<b>Liabilities</b>			
Due to banks .....	6.1.	12,581,830	11,109,893
Customer borrowings and deposits .....	6.2.	74,171,040	76,274,483
Debt securities .....	6.3.	23,981,430	22,027,063
Financial liabilities measured at fair value through profit or loss .....	6.4.	7,524,251	8,892,710
Technical provisions of insurance companies .....	6.5.	15,990,324	15,149,692
Derivatives .....	5.9.	29,572,521	21,264,032
Gain/loss on the hedged item in portfolio hedge of interest rate risk .....	5.9.	207,474	105,017
Provisions and contingent liabilities .....	6.6.	412,243	425,300

	Notes	31 December 2016	31 December 2017
Subordinated debts .....	6.7.	1,398,653	1,198,968
Current tax liabilities .....		60,609	51,351
Deferred tax liabilities .....	5.13.	272,877	176,964
Other liabilities .....	6.8.	1,535,952	1,762,321
Liabilities included in disposal group and discontinued operations .....		0	0
<b>Total liabilities</b> .....		<b>167,709,206</b>	<b>158,437,793</b>

	Notes	31 December 2016	31 December 2017
<b>Equity</b>		<i>(in thousands of EUR)</i>	
Subscribed capital .....		3,458,066	3,458,066
Additional paid-in capital.....		209,232	209,232
Treasury shares.....		0	0
Reserves and retained earnings .....		4,491,306	4,811,537
Net income for the period .....		535,229	605,502
<b>Core shareholders' equity</b> .....		<b>8,693,833</b>	<b>9,084,337</b>
Remeasurement available-for-sale reserve on securities...		729,864	812,081
Frozen fair value of financial assets reclassified to loans and advances .....		(498,653)	(474,031)
Remeasurement defined benefit plan .....		86,990	112,998
Discretionary participation features of insurance contracts .....	6.5.	32,839	0
Other reserves .....		(33,326)	(14,147)
<b>Gains and losses not recognised in the statement of income</b> .....		<b>317,714</b>	<b>436,901</b>
<b>Total shareholders' equity</b> .....		<b>9,011,547</b>	<b>9,521,237</b>
Non-controlling interests.....		173	171
<b>Total Equity</b> .....		<b>9,011,720</b>	<b>9,521,408</b>
<b>Total Liabilities and Equity</b> .....		<b>176,720,926</b>	<b>167,959,201</b>

*Consolidated Statement of Income*

	Notes	31 December 2016	31 December 2017
		<i>(in thousands of EUR)</i>	
Interest income .....	7.1.	3,983,201	3,561,100
Interest expense .....	7.1.	(2,039,969)	(1,609,627)
Dividend income .....	7.2.	88,233	73,083
Net income from equity method companies .....	7.3.	5,018	4,195
Net income from financial instruments at fair value through profit or loss .....	7.4.	16,870	46,143
Net income on investments and liabilities .....	7.5.	115,710	173,958
Fee and commission income .....	7.6.	625,109	721,472
Fee and commission expense .....	7.6.	(117,639)	(168,809)
Technical result from insurance activities .....	7.7	(254,779)	(208,814)
Gross earned premiums .....		1,386,144	1,451,024
Other technical income and charges .....		(1,640,923)	(1,659,838)
Other income .....	7.8.	218,785	141,895
Other expense .....	7.9.	(381,267)	(379,913)
<b>Income</b> .....		<b>2,259,271</b>	<b>2,354,682</b>
Staff expense .....	7.10.	(580,201)	(562,324)
General and administrative expense .....	7.11.	(447,364)	(479,313)
Network costs .....		(265,994)	(243,300)
Depreciation and amortisation of fixed assets .....	7.12.	(72,722)	(83,672)
<b>Expenses</b> .....		<b>(1,366,281)</b>	<b>(1,368,608)</b>
<b>Gross operating income</b> .....		<b>892,990</b>	<b>986,074</b>
Impairments on financial instruments and provisions for credit commitments .....	7.13.	(115,969)	(33,013)
Impairments on tangible and intangible assets .....	7.14.	2,502	9,467
Impairments on goodwill .....	7.15.	0	0
<b>Net income before tax</b> .....		<b>779,524</b>	<b>962,528</b>
Current tax (expense) income .....	7.16.	(56,522)	(191,258)
Deferred tax (expense) income .....	7.16.	(187,750)	(165,749)
<b>Net income after tax</b> .....		<b>535,251</b>	<b>605,522</b>
Discontinued operations (net of tax) .....		0	0
<b>Net income</b> .....		<b>535,251</b>	<b>605,522</b>
Attributable to non-controlling interests .....		23	20
Attributable to equity holders of the parent .....		535,229	605,502

# 9. TERMS AND CONDITIONS OF THE NOTES

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(Annex V.4 of Regulation (EC) 809/2004)

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

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

Bearer Notes are issued under an agency agreement dated 25 September 2018 (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), referred to as the “**Agency Agreement**”, see Annex 4), between Belfius Financing Company as Issuer, Belfius Bank and Banque Internationale à Luxembourg, when relevant.

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

To the extent applicable, the Issuer and the Calculation Agent undertake to comply with Book VI of the Belgian Code of Economic Law in respect of Notes issued under the Programme and placed in the framework of a public offer in Belgium. For this purpose, a public offer has the meaning set forth in Article 3 of the Belgian Act of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market.

In accordance with Articles VI.82 to VI.84 of the Belgian Code of Economic Law, the Issuer or the Calculation Agent may only make a unilateral modification of a product if those four cumulative conditions are met:

- (i) it is limited to events of force majeure or other events which significantly modify the economy of the contract and for which the Issuer is not responsible (see the events listed under “Potential Adjustment Events” and “Extraordinary Events”);
- (ii) the modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Noteholders. The Issuer must take all measures and make every effort to continue the product under similar circumstances; and
- (iii) no costs are charged to the Noteholder
- (iv) the contract term must be drawn up in a plain and intelligible manner

Furthermore, the redemption features provided by section 9.5.3. (“Redemption at the option of the Issuer”) of the Prospectus, which will be further specified in the Final Terms of each Series, are deemed to be the principal object of the contract within the meaning of Article VI.82 of the Belgian Code of Economic Law. The other early redemption features of the Notes provided by this Section 9 (as described under sections 9.7.2.3. *Potential*



*Adjustment Events*, 9.7.2.4. *Extraordinary Events*, 9.7.3.1. *Terms applicable irrespective of whether an Index is Multiple Exchange or not*, 9.7.4.2. *Potential Adjustment Events*, 9.7.4.3. *Extraordinary Events*, 9.7.5.2. *Market Disruption*, 9.7.6.2. *Commodity Index Event*, and 9.7.7.2. *Events affecting the Index*) are only possible (i) as a consequence of events of force majeure or other events which significantly modify the economy of the Note and for which the Issuer is not responsible (the repayment will then, (a) in the case of force majeure or in the case of Notes without capital protection, be at least at market value without charging additional costs to the consumer or (b) in the case of capital protected Note, Monetization (as defined below) or buy back at market value) (ii), except in the case of force majeure, the Issuer is required to indemnify the Noteholder for the loss suffered by the Noteholder because of the early redemption; (iii) no costs are charged to the noteholder and (iv) no deduction of any costs whatsoever is allowed and a pro rata refund of the costs already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), must be provided for. The Terms and Conditions allow for the Substitution of the Issuer provided that the conditions listed in section 9.16 are met.

Besides these early redemption features, the following sections relate to situations in which certain features of the Notes may be modified : 9.7.2.3. *Potential Adjustment Events*, 9.7.2.4. *Extraordinary Events*, 9.7.3.1. *Terms applicable irrespective of whether an Index is Multiple Exchange or not*, 9.7.3.2. *Terms applicable to an Index that is not Multiple Exchange*, 9.7.4.2. *Potential Adjustment Events*, 9.7.4.3. *Extraordinary Events*, 9.7.5.2. *Market Disruption*, 9.7.6.2. *Commodity Index Event*, and 9.7.7.2. *Events affecting the Index*.

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

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

### *9.1. Form, Denomination and Title*

The Denomination of the Notes will be at least EUR 1,000. Certain Belfius Financing Company Notes are issued in bearer form (**“Bearer Notes”**)<sup>33</sup> in the Denominations specified in the relevant Final Terms. These Belfius Financing Company Notes will be represented by a Permanent Global Note, deposited with Banque Internationale à Luxembourg (**“BIL”**) as common depository for Euroclear and Clearstream Luxembourg and will not be exchangeable for definitive notes.

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

Dematerialised Notes are issued in dematerialised form via a book-entry system maintained in the records of the National Bank of Belgium (**“BNB”**) as operator of the BNB System in accordance with Article 468 and following of the Belgian Code of Companies and will be credited to the accounts held with the BNB System by

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<sup>33</sup> Belfius Financing Company Notes may be issued in Bearer form or in Dematerialized form

Belfius Bank, Euroclear Bank SA/NV (“**Euroclear**”), Clearstream Banking SA (“**Clearstream, Luxembourg**”) or other BNB System participants for credit by Belfius Bank, Euroclear, Clearstream, Luxembourg or other BNB System participants to the securities accounts of their subscribers.

Transfer of Dematerialised Notes will be effected only through records maintained by the BNB System, Belfius Bank, Euroclear and Clearstream, Luxembourg or other BNB System participants and in accordance with the applicable procedures of the BNB System, Euroclear and Clearstream, Luxembourg or other BNB System participants.

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

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

## *9.2. Pay Offs*

### **Introduction**

The pay-offs allowed in the Note Issuance Program can be divided into 6 main categories in function of the calculation and payment of Interest (periodic or not), the calculation methodology of the amount paid at redemption of the Notes (the “**Redemption Amount**”) (one calculation and payment at maturity, or a sum of periodic calculation paid at maturity) and the settlement of the Redemption Amount (cash or physical). These categories are:

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

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

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## A. Structures with a periodic payment

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

### Definition

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

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

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

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

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

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

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

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

## Examples

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

#### **Definition:**

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

#### **Product:**

Periodic payments :

1. Periods: 20
2. Underlying: Euribor3months
3. Performance will be a single fixing (subformula 3.a) is applicable). Fixing in advance (2 Business Days before start of the Interest Period)
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 100%
8. X% = 2.20% (annualized)
9. Y% = 5.00% (annualized)
10. Daycount: act/360, mod fol, adjusted

The formula for the Periodic Payments will be

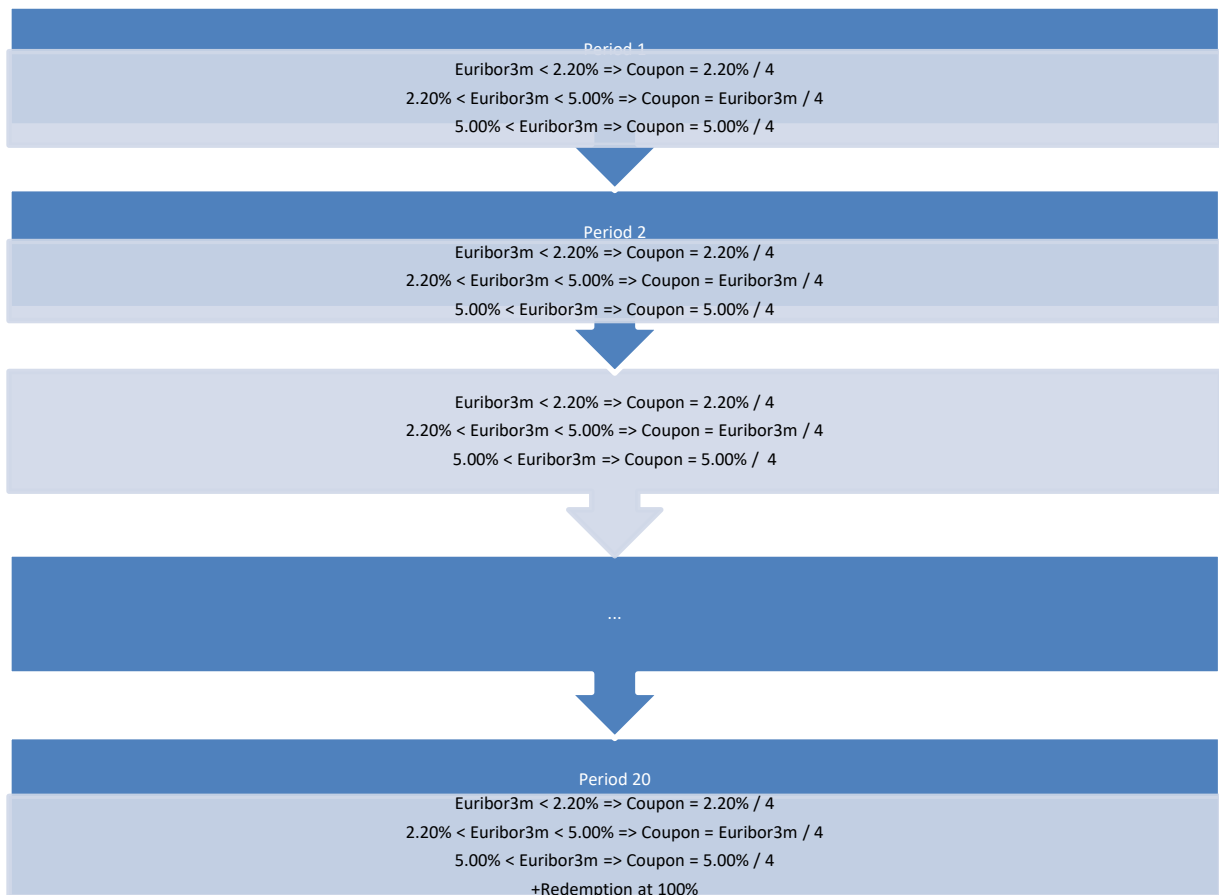
$$\begin{aligned} & (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \\ & = (100\% \times \max(2.20\%, \min(\text{Performance}, 5.00\%)) + 0\%) \end{aligned}$$

**Redemption Amount :**

1. Not Applicable
2. Underlying: Euribor3months
3. Single fixing 2 Business Days before start of the Interest Period (subformula 3.a) is applicable).
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 0%
8. X% = 0%
9. Y% = 0%
10. No Daycount

The formula for the Redemption Amount will be

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



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

## 2. Target Memory Autocall

### **Definition:**

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

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

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

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

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

### **Product:**

*Periodic payments (i = 1 to 4):*

1. Periods: 5
2. Underlying: SX5E

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

➡ If Performance:  $\geq -30\%$  and  $< 0\%$

The formula for the Periodic Payments will be

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

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

Formula for the Periodic Payments will be

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

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

Formula for Redemption Amount will be:

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

Redemption Amount:

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

7. Participation Rate = 5 if Performance<sub>i</sub> ≥ -30%; = 0% if Performance<sub>i</sub> < -30% and ≥ -50%; = 100% if Performance<sub>i</sub> < -50%
8. X% = 7.50% if Performance<sub>i</sub> ≥ -30%; = 0% if Performance<sub>i</sub> < -30% and ≥ -50%; = -100% if Performance<sub>i</sub> < -50%
9. Y% = 7.50% if Performance<sub>i</sub> ≥ -30%; = 0% if Performance<sub>i</sub> < -30% and ≥ -50%; = 100% if Performance<sub>i</sub> < -50%
10. Daycount: 30/360, following, unadjusted

➔ If Performance<sub>i</sub> ≥ -30% and < 0%, then Formula<sub>i</sub> will be:

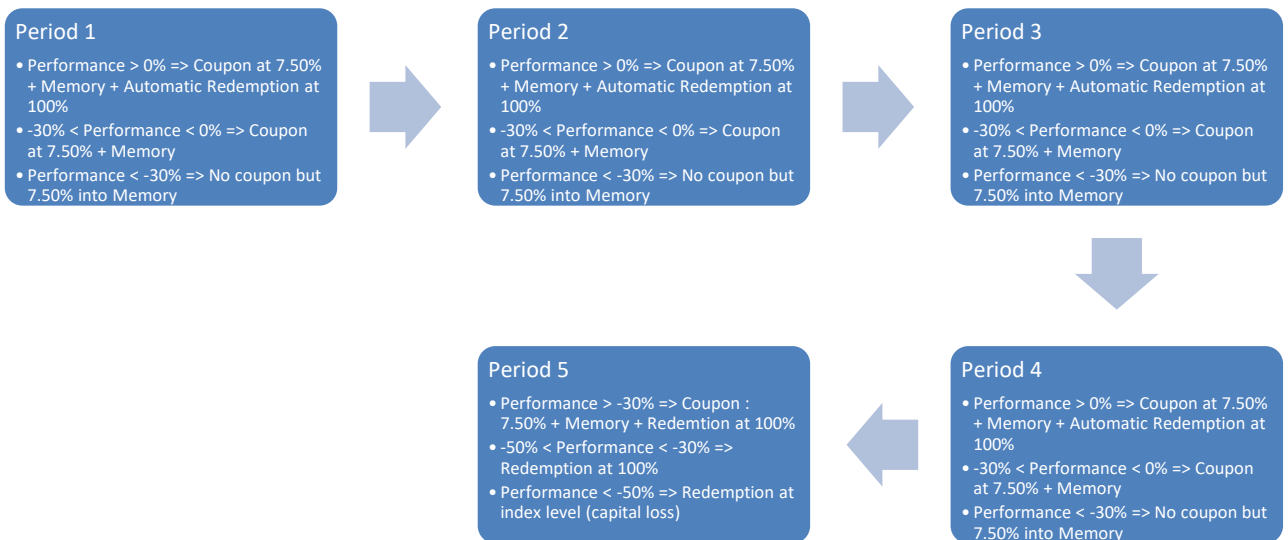
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + \text{Denomination} \times \left[ (5 \times \max(7.50\%, \min(\text{Performance}_i, 7.50\%))) - \sum_{w=1}^{i-1}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

➔ If Performance<sub>i</sub> < -30% and ≥ -50%, then Formula<sub>i</sub> will be:

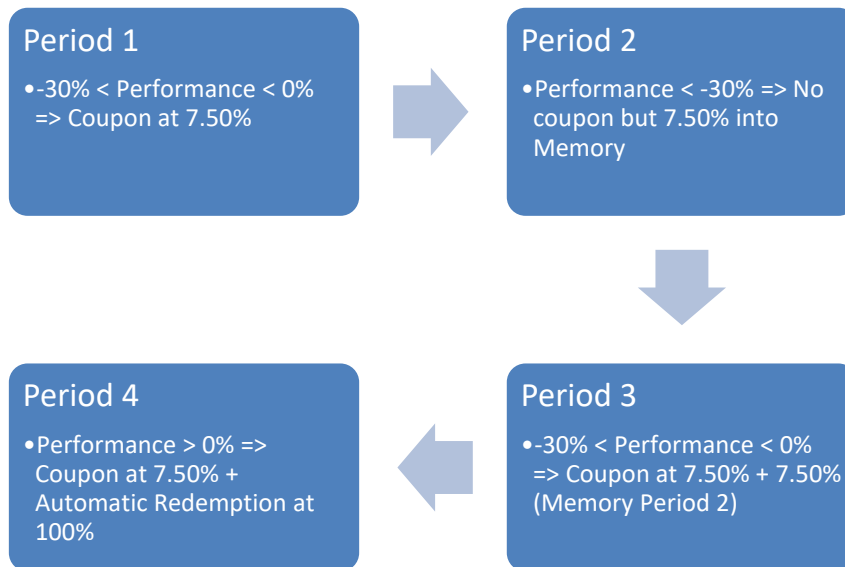
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + [\text{Denomination} \times (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 0\%)] \\ &= \text{Denomination}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

➔ If Performance<sub>i</sub> < -50%, then Formula<sub>i</sub> will be :

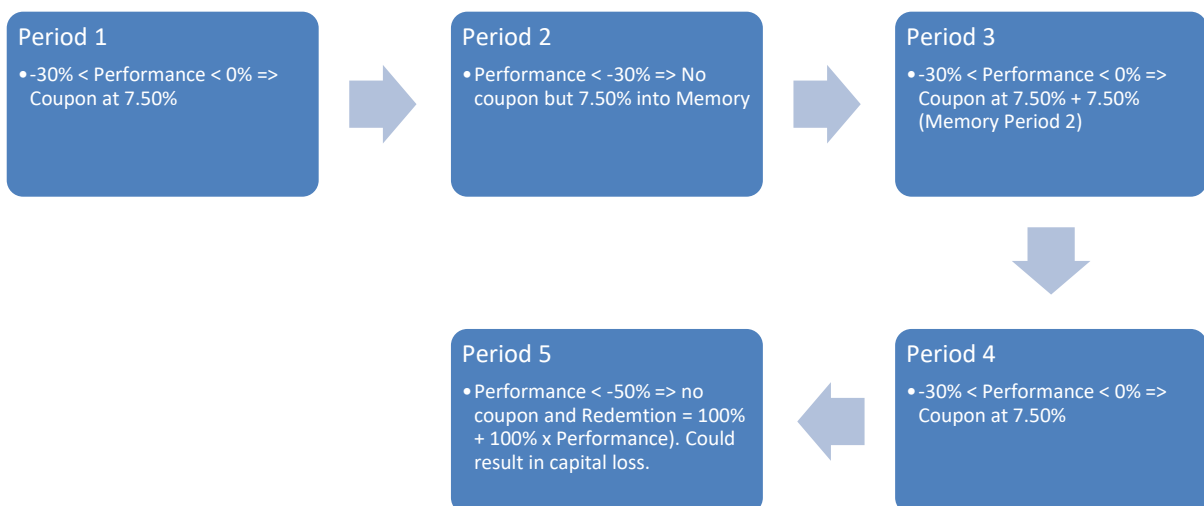
$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ &= \text{Denomination} + [\text{Denomination} \times (100\% \times \max(-100\%, \min(\text{Performance}_i, 100\%)) + 0\%)] \end{aligned}$$



Optimistic Scenario



### Pessimistic Scenario



### 3. Light Reverse

#### **Definition:**

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

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

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

#### **Product:**

*Periodic payments:*

1. Periods: 5
2. Underlying: SX5E
3. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  (Subdivision 3.c) is applicable), no Reset for the Initial Price



4. Not applicable
5. Not applicable
6. Bonus = 5.50%
7. Participation Rate = 100%
8. X% = 0%
9. Y% = 0%
10. Daycount: 30/360, unadjusted, following

The formula for the Periodic Payments will be

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

*Redemption Amount :*

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

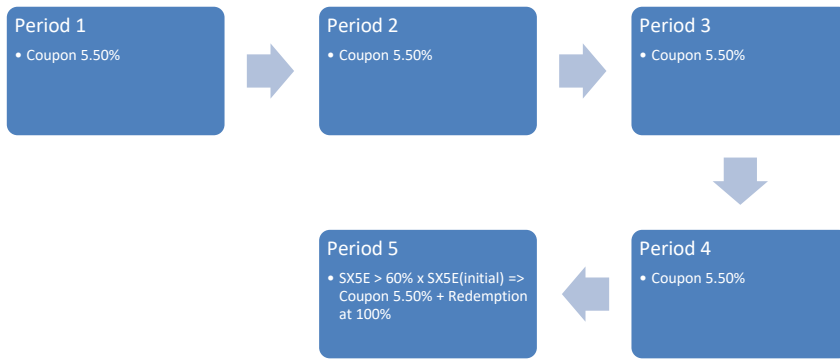
→ If Performance  $\geq$  -40%, then formula for the Redemption Amount will be

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

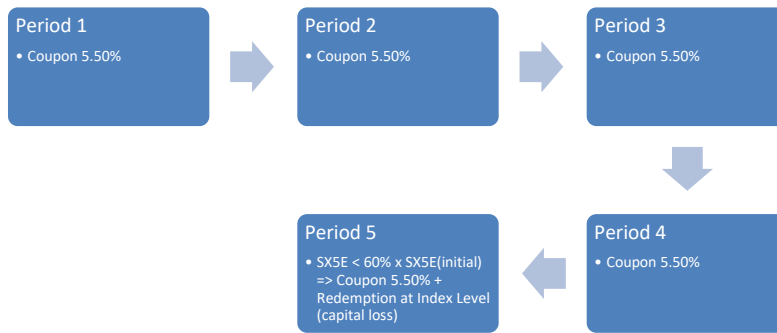
→ If Performance  $<$  -40%, then formula for the Redemption Amount will be

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

Optimistic Scenario



**Pessimistic Scenario**



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

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

### Definition

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

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

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

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

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

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

## Examples

### 1. Call spread

#### **Definition:**

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

#### **Product:**

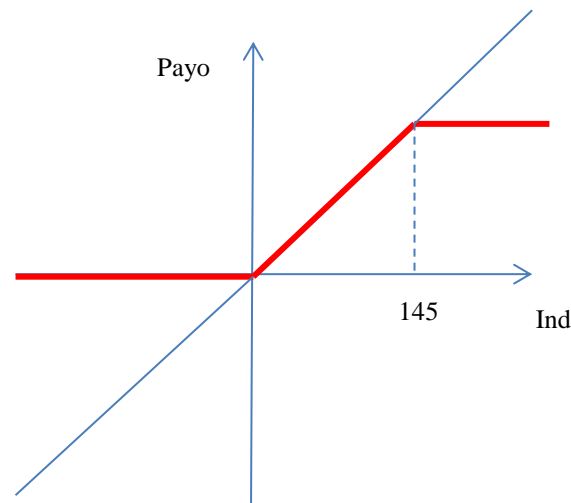
*Redemption Amount :*

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

The formula for the Redemption Amount will be

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

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



Optimistic Scenario

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

Pessimistic Scenario

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

## 2. Digital on CMS

### Definition:

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

### Product:

#### Redemption Amount :

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

→ If CMS10y < 2.10%, then

Formula for the Redemption Amount will be

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

→ If CMS10y ≥ 2.10%, then

Formula for the Redemption Amount will be

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

### Period 1

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

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

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

### Definition

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

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

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

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

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

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

## Examples

### 1. Optimal Performance

#### Definition:

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

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

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

#### Product:

#### Redemption Amount :

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

➡ If Final Price is  $\geq$  Initial Price

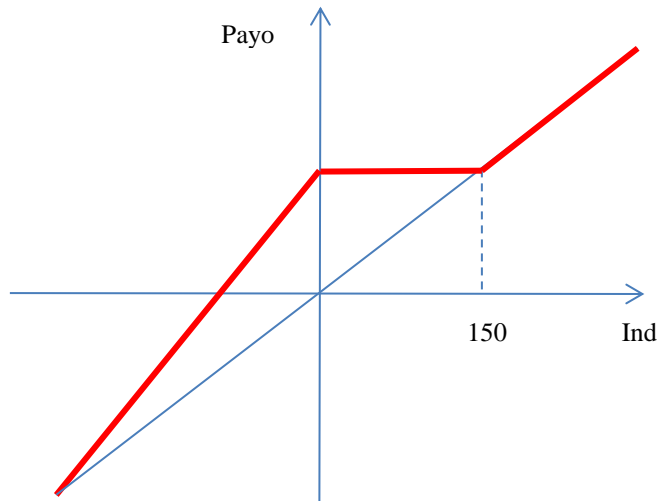
Formula for the Redemption Amount will be

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

➡ If Final Price is  $<$  Initial Price then

Formula for the Redemption Amount will be

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



Optimistic Scenario

Final Price = 135% x Initial Price =>

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

Pessimistic Scenario

Final Price = 40% x Initial Price =>

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

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

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

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

### Definition

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

$$Formula\ i = Denomination +$$

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

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

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



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

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

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

## Examples

### 1. Cliquet

#### Definition:

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

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

#### Product:

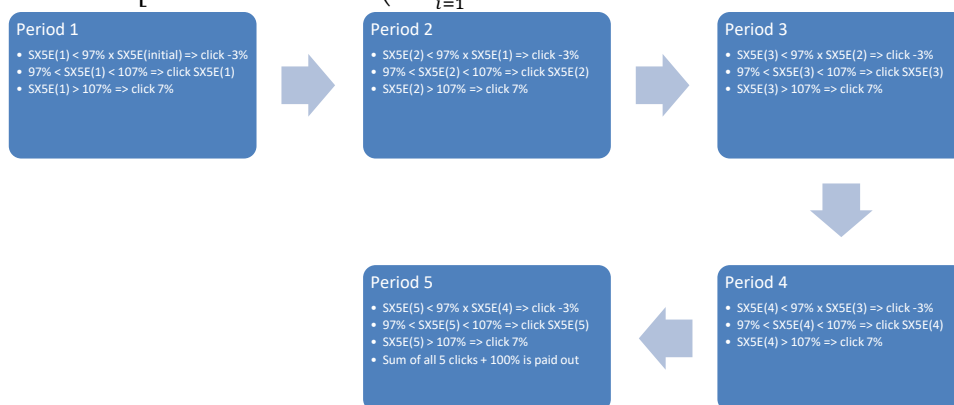
#### Redemption Amount :

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

The Variable Linked Redemption Amount is equal to :

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

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



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## E. Structures with periodic payments and physical settlement

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

### Definition

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

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

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

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

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

Number of shares to be delivered

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

Fractional Share Amount

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

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

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

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

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

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

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

## Example

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### 1. Reverse Convertible on Total shares

#### **Definition:**

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

#### **Product:**

*Periodic payments:*

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

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (0\% \times \max(0\%_i, \min(Performance_i, 0\%_i)) + 8\%) \end{aligned}$$

*Variable Linked Redemption Amount:*

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

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

*Denomination*

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

Number of shares to be delivered

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

Fractional Share Amount

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

Optimistic scenario

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

Pessimistic scenario

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

Per Specified Denomination of € 1000,

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

And

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

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

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

### Definition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Example

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### 1. Liquidity

#### *Definition:*

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

#### *Product:*

Periodic payments of interest and capital:

1. Periods (n): 6

2. Interest Rates

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

3. Not Applicable

4. Redemption Dates

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

5. Pool Factor

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

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

### *9.3. Interest on the Notes*

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

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

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

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

#### *9.3.1. Fixed Rate Notes*

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

#### *9.3.2. Floating Rate Notes*

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

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

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

#### *9.3.3. Variable Linked Rate Notes*

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

#### *9.3.4. Zero Coupon Notes*

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

#### *9.3.5. Payment of the Interest*

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



### *9.3.6. Benchmark Replacement*

Notwithstanding the other provisions in this Condition 9, if the Issuer determines that a Benchmark Event occurs in relation to the relevant Reference Rate when any Interest Rate (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply to the relevant Notes:

- (i) the Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint and consult with an Independent Adviser with a view to the Issuer determining (without any requirement for the consent or approval of the Noteholders) (A) a Successor Rate (as defined below) or, failing which, an Alternative Reference Rate (as defined below), for purposes of determining the Interest Rate (or the relevant component part thereof) applicable to the Notes and (B) in either case, an Adjustment Spread (as defined below);
- (ii) if the Issuer is unable to appoint an Independent Adviser prior to the IA Determination Cut-Off Date (as defined below), the Issuer (acting in good faith and in a commercially reasonable manner) may still determine (A) a Successor Rate or, failing which, an Alternative Reference Rate and (B) in either case, an Adjustment Spread (as defined below) in accordance with this Condition 9.3.6;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with paragraphs (i) or (ii) above, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in, this Condition 9.3.6);
- (iv) if the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Issuer may (without any requirement for the consent or approval of the Noteholders) also specify changes to these Terms and Conditions, including but not limited to (A) the Day Count Fraction, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Floating Rate Notes or Variable Linked Notes applicable to the Notes and (B) the method for determining the fall-back rate in relation to such Notes, in any such case in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate or any Adjustment Spread (as applicable). If the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent and any other agents party to the Agency Agreement shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Terms and Conditions as may be required in order to give effect to the application of this Condition 9.3.6. No consent shall be required from the Noteholders in connection with determining or giving effect to the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps to be taken by the Fiscal Agent and any other agents party to the Agency Agreement (if required or useful); and
- (v) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread (as applicable), give notice thereof to the Calculation Agent, the Fiscal Agent and, in accordance with Condition 9.17, the Noteholders. Such notice shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and these Terms and Conditions (if any).

An Independent Adviser appointed pursuant to this Condition 9.3.6 shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Calculation Agent, the Fiscal Agent or the Noteholders for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 9.3.6.

Without prejudice to the obligations of the Issuer under this Condition 9.3.6, the Reference Rate and the other provisions in this Condition 9.3 will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread (if any) and any consequential changes made to the Agency Agreement and these Terms and Conditions (if any).

For the purposes of this Condition 9.3.6:

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

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

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

**“Benchmark Event”** means:

- (v) the relevant Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (vi) a public statement by the administrator of the relevant Reference Rate stating that it will, by a specified date within the following six months, cease to publish the relevant Reference Rate, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or

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

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

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

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

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

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

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

#### *9.4. Definitions*

**“Averaging Dates”:**

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

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

If an Averaging Date for the Underlying is affected by the occurrence of a Disrupted Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date in respect of such Underlying has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for

the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date

**“Business Day”:**

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

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

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

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

**“Business Day Convention”:**

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

- (i) if **“Following”** is specified, that date will be the first following day that is a Business Day;
- (ii) if **“Modified Following”** or **“Modified”** is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (iii) if **“Preceding”** is specified, that date will be the first preceding day that is a Business Day.

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

**“Calculation Agent”:**

means Belfius Bank, unless specified otherwise in the relevant Final Terms. Whenever the Calculation Agent is required to act or to exercise judgment in any way, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders

for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. (see 9.13 “Responsibility of the Calculation Agent” in the Base Prospectus).

**“Calculation Amount”:** means the Denomination or such other Amount as specified in the applicable Final Terms

**“Day Count Fraction”:** means, in respect of the Notes and the calculation of the Interest:

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

where:

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

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

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

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

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

Where:

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

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

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

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

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

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

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

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

Where:

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

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

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

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

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

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

<b>“EURIBOR”</b>	means that the rate for the relevant Interest Determination Date will be the rate for deposits in euros for a period of the Designated Maturity as of 11:00 a.m., Brussels time on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.
<b>“Hedge Positions”</b>	means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by the Issuer or, in the case of Belfius Financing Company Notes, Guarantor in order to hedge, individually or on a portfolio basis, the Notes.
<b>“Interest Commencement Date”</b> :	means the Issue Date or such other date specified in the relevant Final Terms.
<b>“Interest Determination Date”</b> :	means each date specified as such in the relevant Final Terms.
<b>“Interest Payment Date”</b> :	means each date, as specified in the relevant Final Terms, on which the Interest as determined by the Calculation Agent for the applicable Interest Period is payable in accordance with Condition 9.3.5. <i>Payment of the Interest</i> .  If such day is not a Business Day it will be adjusted by the Business Day Convention specified in the relevant Final Terms.
<b>“Interest Period”</b> :	means each period from, and including, one Interest Period End Date to, but excluding, the next following applicable Interest Period End Date, except that the initial Interest Period will commence on, and include, the Interest Commencement Date.
<b>“Interest Period End Date”</b> :	If <b>“Adjusted”</b> is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date.  If <b>“No Adjustment”</b> is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date, without however applying any adjustment in accordance with the Business Day Convention specified to be applicable to the Interest Payment Dates.  If <b>“Adjusted”</b> or <b>“No Adjustment”</b> is not specified in the relevant Final Terms, the Interest Period End Date(s) shall be as specified in those Final Terms.
<b>“Issue Date”</b> :	means the date on which the Notes are issued as specified in the relevant Final Terms.
<b>“Maturity Date”</b> :	means the date on which the Notes come to maturity as specified in the relevant Final Terms, unless such day is not a Business Day in which case it will be adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.
<b>“Specified Currency”</b> :	means the currency of the Notes as specified in the relevant Final Terms.
<b>“TARGET Settlement Day”</b> :	means any day on which TARGET 2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.
<b>“Valid Date”</b> :	Means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date, or Initial Averaging Date as applicable, in respect of the relevant Valuation Date, or Initial Valuation Date as applicable, does not or is not deemed to occur.

## 9.5. Redemption and Purchase

### 9.5.1. Final Redemption

Unless previously entirely redeemed, purchased and cancelled or unless its maturity is extended pursuant to an Issuer's or Noteholder's Option the Notes shall be redeemed on the Maturity Date. The Notes may not be redeemed prior to that date, without prejudice to the other provisions of these Terms and Conditions.

The Redemption of the Notes can be Variable Linked ("**Variable Linked Redemption Amount**"), in which case the Variable Linked Provisions below will apply.

#### *9.5.2. Partial Redemption*

If Partial Redemption is provided to be applicable in the relevant Final Terms, the Notes shall be partially redeemed without giving notice to the Noteholders on the Partial Redemption Date(s) so provided in the relevant Final Terms. Any such partial redemption of Notes shall be at the relevant Partial Redemption Amount specified in the relevant Final Terms.

#### *9.5.3. Redemption at the Option of the Issuer*

If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Optional Redemption Period redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount together with interest accrued to the date fixed for redemption, unless otherwise specified in the relevant Final Terms. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed, as specified in the relevant Final Terms, and be no greater than the Maximum Redemption Amount to be redeemed, as specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice.

The above-described Redemption at the Option of the Issuer does not cover the situation of an early redemption upon the occurrence of a force majeure event or an Extraordinary Event, as specified in section 9.

#### *9.5.4. Mandatory Early Redemption*

If Mandatory Early Redemption is provided to be applicable in the relevant Final Terms and one or more Trigger Events (as defined in the Final Terms), the Issuer shall without giving notice to the Noteholders automatically redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof on the Mandatory Early Redemption Date(s) so provided in the relevant Final Terms once the Calculation Agent determines that a Trigger Event has occurred. Any such redemption of Notes shall be at the Mandatory Early Redemption Amount specified in the relevant Final Terms.

The Trigger Events mentioned above can relate to the following (without however being exhaustive, these are merely examples):

- in case a Variable Linked Redemption Amount depends on the evolution of one or more Underlyings, a Trigger Event applies, for example, if the level of the relevant Underlying exceeds on a specified date a certain pre-defined value as specified in the relevant Final Terms;
- in case the relevant Notes bear interest, a Trigger Event applies, for example, if the sum of the Interest Amounts paid together with the Interest Amount payable on the next following Interest Payment Date exceeds an amount specified in the relevant Final Terms. As a consequence, the Interest Amount payable in respect of such Note for the relevant Interest Period may be capped in order not to exceed the amount specified in the relevant Final Terms.

#### *9.5.5. Repurchase*

The Issuer or, as applicable, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The price will be determined by the Issuer, the Guarantor or any of their



subsidiaries at the relevant time. They will determine the price in accordance with market practice and at their discretion, but the investors will remain free to accept the proposed price, or to continue to hold their Notes.

#### *9.5.6. Cancellation*

All Notes purchased by or on behalf of the Issuer, as applicable, the Guarantor or any of their subsidiaries may thereafter be cancelled by the Fiscal Agent or by the Domiciliary Agent by a reduction of the principal amount of such notes. Any Notes so redeemed or purchased and cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer and, as applicable, the Guarantor in respect of any such Notes shall be discharged.

### *9.6. Payment*

Noteholders shall pay the Denominations on the subscribed Notes in cash at the time of subscription or by debit of the cash account linked to the securities account, in which Notes are to be held, on the Issue Date.

If the Issue Date is a day, which is not a Business Day in the place of payment of the Denominations, payment will be due on that day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

Any amounts payable by the Issuer in respect of the Notes, be they Interests, Redemption Amounts or other, shall be made by transfer to the cash account linked to the securities account in which the Notes are held subject to all applicable laws and regulations.

If the date for payment of Interest, Redemption Amount or any other amount due to the Noteholders is a day, which is not a Business Day in the place of payment, the Noteholders shall not be entitled to payment until the day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

### *9.7. Variable Linked Provisions*

A Variable Linked Rate or a Variable Linked Redemption Amount can depend on the evolution of one or more Underlyings. If it is specified in the Final Terms that the Underlying is either (i) one or more Market Rates; (ii) a Share or a Basket of Shares, (iii) a Share Index or a Basket of Share Indices, (iv) a Fund or a Basket of Funds, (v) a Commodity or a Basket of Commodities, (vi) a Commodity Index or a Basket of Commodity Indices, or (vii) an Inflation Index, the applicable provisions below in relating to the respective Underlying will apply.

#### *9.7.1. Market Rate*

The Underlying can be a Market Rate, such as the EUR CMS Rate or the 3 Month Euribor, as defined below, or any other Market Rate, as defined in the relevant Final Terms.

Please also refer to the provisions of *Condition 9.3.6 (Benchmark Replacement)*.

<b>EUR CMS Rate:</b>	Means that the rate for the relevant Interest Determination Date will be the annual swap rate for euro swap transactions with a maturity of the Designated Maturity, expressed as a percentage, as of 11:00 a.m., Frankfurt time, on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.
<b>3 Month Euribor:</b>	Means EUR-EURIBOR Reuters, fixed at 11:00 am Brussels time, as displayed on Reuters Screen page EURIBOR01.

#### *9.7.2. Share or Basket of Shares*

##### **9.7.2.1. Definitions**

<b>Share:</b>	Means the share specified as such in the relevant Final Terms.
<b>Share Basket:</b>	Means a basket of shares as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Share in the Share Basket separately.
<b>w:</b>	Means the weight of a certain Share in the Share Basket.
<b>Exchange:</b>	Means each exchange or quotation system specified as such for such Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).
<b>Related Exchange:</b>	Means, each exchange or quotation system specified as such for the relevant Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of the relevant Share at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the Relevant Price of the relevant Share on the relevant Valuation Date, as determined by the Calculation Agent, or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Initial Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Final Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date
<b>Relevant Price:</b>	Means the price of the relevant Share determined by the Calculation Agent at the Valuation Time on the Exchange.

<b>Valuation Time:</b>	Means the time on the relevant Valuation Date, specified as such in the related Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.
<b>Scheduled Closing Time:</b>	Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.
<b>Scheduled Trading Day:</b>	Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.
<b>Exchange Business Day:</b>	Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

### 9.7.2.2. Market Disruption

“**Market Disruption Event**” means in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) the Shares on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

If any Valuation Date is a Disrupted Day, then:

- if the Underlying is a Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine its good faith estimate of the value of the Share as of the Valuation Time on that eighth Scheduled Trading Day; and
- if the Underlying is a Basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Share

affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.

### 9.7.2.3. Potential Adjustment Events

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and if so will:

- make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and
- determine the effective date(s) of the adjustment(s).

The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or, a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such Shares equally or proportionately with such payments to holders of such Shares, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the issuer of the Shares as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a call by the issuer of the relevant Shares in respect of such Shares that are not fully paid;
- a repurchase by the issuer of the relevant Shares or any of its subsidiaries of such Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- in respect of the issuer of the relevant Shares, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the issuer of the relevant Shares pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 9.

#### **9.7.2.4. Extraordinary Events**

“**Extraordinary Event**” means any of Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting, De-merger Event, or Insolvency Filing, as the case may be.

“**Merger Event**” means in respect of any relevant Shares:

- any reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding);
- any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the issuer of the relevant Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares or its subsidiaries with or into another entity in which the issuer of the relevant Shares is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a “Reverse Merger”) in each case if the effective date of the Merger Event is on or before the final Valuation Date.

“**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the issuer of the relevant Shares, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“**Nationalisation**” means that all the Shares or all the assets or substantially all the assets of the issuer of the relevant Shares are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the relevant Shares, (A) all the Shares of that issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that issuer become legally prohibited from transferring them (each time as determined in good faith by the Calculation Agent).

“**Delisting**” means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union).

**“De-merger Event”** means that the issuer of the relevant Shares is affected by a de-merger (such as, but not limited to, spin off, scission or any operation of a similar nature) leading to the attribution of a basket comprising New Shares and/ or Other Consideration and/ or the relevant Share affected by the de-merger (as the case may be), such basket resulting from such de-merger.

In that respect, **“New Shares”** means ordinary or common shares, whether of the entity or person involved or a third party, that are promptly scheduled to be (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations. Other Consideration means cash and/or any securities (other than New Shares) or assets whether of the entity or person involved or a third party.

**“Insolvency Filing”** means that the issuer of the relevant Shares institutes or has instituted against it by a regulator, supervisor, or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the relevant Shares shall not be deemed an Insolvency Filing.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Share, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Share). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, or in other cases (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles explained under Section 9.

*9.7.3. Share Index or Basket of Share Indices*

The terms applicable to an Index will differ, depending on whether the Index is specified in the relevant Final Terms to be Multiple Exchange or not. The applicable provisions below will apply.

**9.7.3.1. Terms applicable irrespective of whether an Index is Multiple Exchange or not**

**Definitions**

- Index:** Means the index specified as such in the relevant Final Terms.
- Index Basket:** Means a basket of indices as specified in the relevant Final Terms.
- i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Index in the Index Basket separately.
- w:** Means the weight of a certain Index in the Index Basket.
- Index Sponsor:** Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level for the relevant Index on a regular basis during each Scheduled Trading Day.

<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Index at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the level of the relevant Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Initial Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Final Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date
<b>Relevant Price</b>	Means the level of the relevant Index determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Scheduled Closing Time:</b>	Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

### **Consequences of Disrupted Days**

If any Valuation Date is a Disrupted Day, then:

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

case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

### **Adjustment to Indices**

- If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that index (the “**Successor Index**”) will be deemed to be the Index.
- If (i) on or prior to any Valuation Date in respect of an Index, the relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) (an “**Index Modification**”) or permanently cancels the Index and no Successor Index exists (an “**Index Cancellation**”) or (ii) on any Valuation Date, the Index Sponsor fails to calculate and announce a relevant Index (an “**Index Disruption**” and together with an Index Modification and an Index Cancellation, each an “**Index Adjustment Event**”), the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and if so, shall calculate the level of the Index, using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

For the purpose hereof “**Index Sponsor**” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (b) announces (directly or through an agent) the level of the Index on a regular basis during each Scheduled Trading Day.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, or in other cases (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles explained under Section 9.

### **9.7.3.2. Terms applicable to an Index that is not Multiple Exchange**

**Exchange:** Means each exchange or quotation system specified as such for such Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Shares underlying such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

**Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation



system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

- Valuation Time:** Means the time on the relevant Valuation Date, specified as such in the related Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.
- Scheduled Trading Day:** Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.
- Exchange Business Day:** Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

### **Market Disruption**

“**Market Disruption Event**” means in respect of an Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a security included in the relevant Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 per cent or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

### 9.7.3.3. Terms applicable to an Index that is Multiple Exchange

<b>Exchange:</b>	Means in respect of each component security of the Index (each, a “Component Security”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.
<b>Related Exchange:</b>	Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.
<b>Valuation Time:</b>	Means: (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official level of the Index is calculated and published by the Index Sponsor.
<b>Scheduled Trading Day:</b>	Means any day on which: (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.
<b>Exchange Business Day:</b>	Means any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index; and (ii) the Related Exchange is open for trading during its respective regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

#### Market Disruption

“**Market Disruption Event**” means either

- (i) (a) the occurrence or existence, in respect of any Component Security of:
  - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
  - (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; OR
  - (3) an Early Closure in respect of such Component Security; AND
- (b) the aggregate of all Component Security in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of

the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event in respect of any Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security at any time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security and (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

#### *9.7.4. Fund or Basket of Funds*

##### **9.7.4.1. Definitions**

<b>Reference Fund:</b>	Means the Reference Fund specified as such in the relevant Final Terms.
<b>Fund Basket:</b>	Means a basket of Reference Funds as specified in the relevant Final Terms.
<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Reference Fund in the Fund Basket separately.
<b>w:</b>	Means the weight of a certain Reference Fund in the Fund Basket.
<b>Fund Interest Unit:</b>	Means a notional unit of account of ownership in a Reference Fund, whether a share or another type of unit.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Initial Averaging Date.

<b>Final Price:</b>	Means the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Initial Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Final Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Averaging is specified as applicable, means the final Averaging Date.
<b>Relevant Price:</b>	Means the price of the relevant Fund Interest Unit as published by the Fund Administrator.  In case a price in respect of any Valuation Date is not published by the fourth Scheduled Fund Valuation Date, the Calculation Agent may determine such price taking into account prevailing market conditions.
<b>Scheduled Fund Valuation Date:</b>	Means any date in respect of which the relevant Reference Fund (or its service provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interest Units); to determine the value of such Fund Interest Unit or, if the relevant Reference Fund only reports its aggregate net asset value, the date in respect of which such Reference Fund is scheduled to determine its aggregate net asset value.
<b>Fund Documents:</b>	Means, with respect to any Fund Interest Unit, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Fund Interest Unit, as amended from time to time.

#### **9.7.4.2. Potential Adjustment Events**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units and if so will:

- (i) make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest Unit) and
- (ii) determine the effective date(s) of the adjustment(s).

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of the relevant Fund Interest Units or a free distribution or dividend of any such Fund Interest Units to existing holders by way of bonus, capitalisation or similar issue;

- a distribution, issue or dividend to existing holders of the relevant Fund Interest Units of (a) an additional amount of such Fund Interest Units, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Fund Interest Units, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a repurchase by the Reference Fund of relevant Fund Interest Units whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interest Units initiated by a Noteholder in such Fund Interest Units initiated by a Noteholder in such Fund Interest Units that is consistent with the Fund Documents; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 9.

#### **9.7.4.3. Extraordinary Events**

Means any of Nationalisation, Insolvency, Fund Insolvency Event, Fund Modification, Strategy Breach, Regulatory Action and Reporting Disruption.

“**Nationalisation**” means that all the Fund Interest Units or all or substantially all the assets of a Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (i) all the Fund Interest Units of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Fund Interest Units of that Reference Fund become legally prohibited from transferring or redeeming them.

“**Fund Insolvency Event**” means, in respect of any Fund Interest Unit, that the related Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver,

trustee, custodian or other similar official for it or for all or substantially all its assets; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (v) through (vi) above.

**“Fund Modification”** means (i) any change or modification of the related Fund Documents that could reasonably be expected to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent, or (ii) the Reference Fund Investment Manager imposes fees or dealing rules that increase the effective dealing costs relating to any Reference Fund.

**“Strategy Breach”** means any breach or violation of any strategy or investment guidelines stated in the related Fund Documents that is reasonably likely to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent.

**“Regulatory Action”** means, with respect to any Fund Interest Unit, (i) cancellation, suspension or revocation of the registration or approval of such Fund Interest Unit or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Fund Interest Unit or Reference Fund, (ii) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund that is reasonably likely to have an adverse impact on the value of such Fund Interest Unit or on any investor therein (as determined by the Calculation Agent), or (iii) the related Reference Fund or its Fund Investment Manager becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund or Fund Investment Manager.

**“Reporting Disruption”** means, in respect of any Fund Interest Unit, the occurrence of any event affecting such Fund Interest Unit that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest Unit, and such event is expected to continue for the foreseeable future.

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Reference Fund, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Reference Fund). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 9.

*9.7.5. Commodity or Basket of Commodities*

**9.7.5.1. Definitions**

- Commodity:** Means the Commodity specified as such in the relevant Final Terms.
- Commodity Basket:** Means a basket of Commodities as specified in the relevant Final Terms.
- i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity in the Commodity Basket separately.

<b>w:</b>	Means the weight of a certain Commodity in the Commodity Basket.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the price of the relevant Commodity on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the price of the relevant Commodity at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Initial Price of such Commodity shall be determined on the basis of the price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Final Price of such Commodity shall be determined on the basis of the Relevant Price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.
<b>Relevant Price</b>	Means the price of the relevant Commodity determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Commodity Business Day:</b>	Means for the relevant Commodity a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the relevant Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time.
<b>Exchange:</b>	Means the exchange or principal trading market specified in the relevant Final Terms.

#### 9.7.5.2. Market Disruption

“**Market Disruption Event**” means any of (i) Price Source Disruption, (ii) Trading Disruption, (iii) Disappearance of Commodity, (iv) Material Change in Formula, (v) Material Change in Content or (vi) Tax Disruption, as defined below, except that for a Commodity that is Bullion, (iv) Material Change in Formula and (v) Material Change in Content will not apply.

“**Price Source Disruption**” means (A) the failure of the Price Source to announce or publish the price (or the information necessary for determining the price) for the relevant Commodity; or (B) the temporary or permanent discontinuance or unavailability of the Price Source.

“**Trading Disruption**” means the material suspension of, or the material limitation imposed on, trading in the futures contract on the Commodity or the Commodity on the Exchange. For these purposes:

a suspension of the trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if:

all trading in the futures contract on the Commodity or the Commodity is suspended for the entire day; or

all trading in the futures contract on the Commodity or the Commodity is suspended subsequent to the opening of trading on that day, trading does not recommence prior to the regularly scheduled close of trading in such futures contract on the Commodity or Commodity on such day and such suspension is announced less than one hour preceding its commencement; and

a limitation of trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the futures contract on the Commodity or the Commodity may fluctuate and the closing or settlement price of the futures contract on the Commodity or the Commodity on such day is at the upper or lower limit of that range.

**“Disappearance of Commodity”** means:

the permanent discontinuation of trading, in the relevant futures contract on the Commodity; or

the disappearance of, or of trading in, the relevant Commodity; or

the disappearance or permanent discontinuance or unavailability of a price for the Commodity, notwithstanding the availability of the related Price Source or the status of trading in the relevant futures contract on the Commodity or the relevant Commodity.

**“Material Change in Formula”** means the occurrence of a material change in the formula for or the method of calculating the relevant price of the Commodity.

**“Material Change in Content”** means the occurrence of a material change in the content, composition or constitution of the Commodity or relevant futures contract on the Commodity.

**“Tax Disruption”** means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

**“Bullion”** means Gold, Silver, Platinum or Palladium, as the case may be.

In case a Market Disruption Event occurs the Calculation Agent will determine in good faith and in a commercially reasonable manner the Final Price of the relevant Commodity (or a method for determining the Final Price of the relevant Commodity).

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 9.

### *9.7.6. Commodity Index or Basket of Commodity Indices*

#### *9.7.6.1. Definitions*

**Commodity Index:** Means the Commodity Index specified as such in the relevant Final Terms.

**Commodity Index Basket:** Means a basket of Commodities Indices as specified in the relevant Final Terms.



<b>i:</b>	The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity Index in the Commodity Index Basket separately.
<b>w:</b>	Means the weight of a certain Commodity Index in the Commodity Index Basket.
<b>Initial Price:</b>	Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Commodity Index or Basket on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Initial Averaging Date.
<b>Final Price:</b>	Means the level of the relevant Commodity Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Averaging Date.
<b>Initial Valuation Date:</b>	Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Initial Price of such Commodity Index shall be determined on the basis of the price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.
<b>Valuation Date:</b>	Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Final Price of such Commodity Index shall be determined on the basis of the Relevant Price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Averaging is specified as applicable, means the final Averaging Date.
<b>Relevant Price</b>	Means the level of the relevant Commodity Index or Commodity Index Basket determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.
<b>Scheduled Publication Day:</b>	Means any day on which the Commodity Index Sponsor is scheduled to publish the level of the relevant Commodity Index.
<b>Commodity Index Sponsor:</b>	Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Commodity Index and (b) announces (directly or through an agent) the level of the Commodity Index on a regular basis.

#### **9.7.6.2. Commodity Index Event**

If, in the opinion of the Calculation Agent, any Commodity Index is modified by the Commodity Index Sponsor, cancelled by the Commodity Index Sponsor, replaced by a successor commodity index or remains unpublished by the Commodity Index Sponsor, or if, in the opinion of the Calculation Agent, a Commodity Index Market Disruption Event occurs (any of the above events, a “Commodity Index Event”), the Calculation Agent shall determine in its sole discretion, but in good faith and in a commercially reasonable manner, how such Commodity Index Event affects the Notes and what its consequences should be.

For the avoidance of doubt, if the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Commodity Index Event shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 9.

A “**Commodity Index Market Disruption Event**” means any of (a) the termination or suspension of, or material limitation or disruption in, the trading of any exchange-traded futures contract included in a relevant Commodity Index, and (b) the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price, or (c) the exchange fails to publish official settlement prices for any such contract.

*9.7.7. Inflation Index*

**9.7.7.1. Definitions**

- Index:** Means the index specified as such in the relevant Final Terms.
- Initial Index:** Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.
- Final Index:** Means the level of the index determined by the Calculation Agent in accordance with the relevant Final Terms.
- Index Sponsor:** Means the sponsor of the Index as specified in the Final Terms.
- Reference Month:** Means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced.

**9.7.7.2. Events affecting the Index**

(i) Delay of Publication

If any level of the Index for a Reference Month has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date, the Calculation Agent may either determine the level of the Index based on its own calculations or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with Condition 9.17 (*Notices*) Notice, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(ii) Cessation of Publication

If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent may determine a successor Index or make any adjustment to the Notes as it may deem appropriate.

If the Calculation Agent determines that no appropriate successor Index exists, or that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with *Condition 9.17 Notices*, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

(iii) Rebasing of the Index

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased will be used for purposes of determining the level of the Index from the date of such rebasing; provided, however, that the Calculation Agent may make such adjustments to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with *Condition 9.17 Notices*, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

#### (iv) Material Modification

If, on or prior to the day that is five Business Days before an Interest Payment Date, the Index Sponsor announces that it will make a material change to the Index, then the Calculation Agent may make any such adjustment to the Index or to the Notes as it may deem appropriate.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent may notify the Noteholders, in accordance with *Condition 9.17 (Notices)*, that the Notes will be redeemed early. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of the Notes.

If the Calculation Agent determines that the event significantly modifies the economy of the Note regardless of any adjustment the Calculation Event could make, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence shall be either in the case of a capital protected Note (i) the Monetization of the Notes, with the right for the Noteholders, as an alternative to the Monetization, to sell the Note to the Issuer at market value, or in other cases than the capital protected Note (ii) the early redemption of the Notes at their Fair Market Value and in accordance with the principles and conditions explained under Section 9.

### 9.8. Rounding

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

### 9.9. Status of the Notes

The Notes are senior notes and the payments of principal and interest relating to them are direct, unconditional and unsecured obligations of the Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer as referred under article 389/1, 1° of the law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (senior preferred obligations), present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights. Senior preferred obligations have a higher priority ranking than the so-called non-preferred obligations that are defined under article 389/1, 2°.

On 31 July 2017, Belgium adopted a legislation establishing a new category of debt securities available to credit institutions. The law provides for a new Article 389/1 into the Law of April 25, 2014 on the status and supervision of credit institutions (the “**Belgian Banking Law**”). In particular, Article 389/1 aims at increasing the effectiveness of the bail-in tool and introduces a new category of claims in the statutory creditor hierarchy in the case of a liquidation procedure (*procédure de liquidation/liquidatieprocedure*) of a credit institution. Article 389/1, 2° of the Belgian Banking Law now divides senior notes into: (i) senior preferred notes, retaining the same ranking as the previous senior notes; and (ii) senior non-preferred notes. Senior non-preferred notes are

direct, unconditional, senior, and unsecured (*chirographaires/chirografair*) obligations. In the case of liquidation, they will rank senior to subordinated notes but junior to both ordinary senior preferred notes and to claims benefiting from legal or statutory preferences. Furthermore, senior non-preferred notes must have the following characteristics: their principal amount and interest may not be contingent on the occurrence of an event that is uncertain at the time of the issue, except, with respect to interest only, if it can be calculated at any time in accordance with a formula established in the notes' terms (such as an index or a floating rate); their maturity may not be less than one year; and their terms must expressly provide that the claim is unsecured (*chirographaire/chirografair*) and that their ranking is as set forth in Article 389/1, 2° of the Belgian Banking Law.

### 9.10. Clearing Systems

The clearing systems operated by Euroclear Bank SA/NV (“**Euroclear**”), Clearstream Banking SA (“**Clearstream, Luxembourg**”), the BNB system, and such other clearing system as may be agreed between the Issuer and the Fiscal Agent or Domiciliary Agent and as specified in the relevant Final Terms.

### 9.11. Events of Default

In any of the following events (“**Events of Default**”) any Noteholder may by written notice to the Issuer and, in the case of Belfius Financing Company Notes, the Guarantor at its or their specified office declare his Note or Notes immediately due and payable with the following consequences (unless, such Event of Default shall have been remedied prior to the receipt of such notice):

- (a) if default is made by the Issuer for a period of 30 calendar days or more in the payment of interest on the Notes when and as the same shall become due and payable; or
- (b) in the event of default by the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, as the case may be, in the due performance of any other obligation under the terms and conditions of the Notes, unless remedied within 45 days after receipt of a written notice thereof given by any Noteholder; or
- (c) in the event of a merger, consolidation or other reorganisation of the Issuer or, as applicable, the Guarantor with, or a sale or other transfer by the Issuer or, as applicable, the Guarantor of all or a substantial part of its assets to, any other incorporated or unincorporated person or legal entity, unless, in each case not involving or arising out of insolvency, the person or entity surviving such merger, consolidation or other reorganisation or to which such assets shall have been sold or transferred shall have assumed expressly and effectively or by law all obligations of the Issuer or, as applicable, the Guarantor, as the case may be, with respect to the Notes and, the interests of the holders of Notes are not materially prejudiced thereby; or
- (d) in the event that the Issuer or, as applicable, the Guarantor is adjudicated bankrupt or insolvent, or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of its creditors, or enters into a composition with its creditors, or applies for a moratorium, or institutes or has instituted any proceedings under any applicable bankruptcy law, insolvency law, composition law or any law governing the appointment of a receiver, administrator, trustee or other similar official for the whole or any substantial part of its assets or property or any other similar law, or in the event that any such proceedings are instituted against the Issuer or, as applicable, the Guarantor and remain undismissed for a period of 30 days, or
- (e) if, for any reason, the relevant Guarantee ceases to be in full force and effect.

Notice of any Event of Default shall be given to the Noteholders in accordance with *Condition 9.17. Notices*.

### 9.12. Modifications of the Agency Agreement

The Issuer and, as applicable, the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

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

All calculations shall be made in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or wilful misconduct of the Calculation Agent. The calculations and determinations of the Calculation Agent shall be made in accordance with the Terms and Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of manifest error, be final, conclusive and binding on the Issuer and the Noteholders. The Calculation Agent acts solely as agent of the Issuer and does not assume any obligations or duty to, or any relationship of agency or trust for or with, the Noteholders. The Calculation Agent will make its determinations in a reasonable manner, taking into account the Terms and Conditions. The Calculation Agent will not act in an entirely discretionary manner, but will instead act in a reasonable manner, taking into account market practices and the economics of the product represented by the Notes.

### *9.14. Prescription*

Claims against the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor for payment in respect of any Note shall be prescribed in accordance with article 2262 and following of the Belgian Civil Code and become void unless made within five years from the date on which such payment first becomes due (in respect of interest) and within ten years from the date on which such payment become due (in respect of capital).

### *9.15. Currency Indemnity*

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor shall only constitute a discharge to the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer, failing whom, in the case of Belfius Financing Company Notes, the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom, in the case of Belfius Financing Company Notes, the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and, in the case of Belfius Financing Company Notes, the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

### *9.16. Substitution*

- (i) In case of dissolution, liquidation, reconstruction, merger, amalgamation or any other kind of reorganization, the Issuer and, in the case of Belfius Financing Company Notes, the Guarantor may, without any further consent or co-operation from the Noteholders, at any time, procure that any affiliated or associated corporation of the Issuer or, in the case of Belfius Financing Company Notes, the Guarantor is substituted for the Issuer as the debtor under the Terms and Conditions to be offered by assigning all its rights and obligations to such other corporation (the “Substituted Issuer”), provided that the Substituted Issuer has a long-term debt rating of at least the same level as the one of the Issuer at the time of substitution, if any, and provided that:
- (a) no payment of any Redemption Amount or of interest on any Note is overdue and no other circumstances exist capable of causing the acceleration or redemption of the Notes;
  - (b) the Substituted Issuer shall agree to indemnify the holders of each Note against: all tax, duty, fee or governmental charge which is imposed on such holder by the jurisdiction of the country of the Substituted Issuer’s residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to such Note and which would not have been so imposed had such substitution not been made; and any costs or expenses incurred in connection with any such substitution; and
  - (c) in the case of Belfius Financing Company Notes, the Guarantor agrees on the provisions of such substitution as described herein, undertakes that the provisions in the Guarantee with respect to the relevant Issuer will apply to the Substituted Issuer in the event of such substitution and shall be bound by all the obligations to be fulfilled by it under the Guarantee and the Terms and Conditions of the Notes as a result of such substitution and such obligations shall be legal, valid and enforceable; if the Issuer is substituted by the Guarantor, there is no requirement for an additional and separate guarantee of the obligations under the Notes.
- (ii) The Issuer hereby irrevocably and unconditionally guarantees that the Substituted Issuer shall pay all amounts of Redemption Amount of and interest on the Notes when due. In the event of substitution, this guarantee ceasing to be the valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, shall constitute an Event of Default.
- (iii) In the event of substitution all references in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substituted Issuer and the references in *Condition 9.19. Taxation* to Luxembourg shall be deemed to be to the country where the Substituted Debtor has its domicile or tax residence.
- (iv) The Substituted Issuer obtains all necessary governmental and regulatory approvals and consents

Notice of any substitution shall be given to the Noteholders in accordance with *Condition 9.17. Notices*.

### *9.17. Notices*

All notices to holders of Notes (including notices to convene a meeting of Noteholders) will be deemed to have been validly given if given through the X/N Clearing System (in case of Belfius Bank Notes and certain Belfius Financing Company Notes) or the systems of Euroclear and Clearstream Luxembourg in accordance with the procedures of the relevant clearing system and, if mandatorily applicable, the relevant company law rules.

The Notes being held in a securities account, all notices to the Noteholders shall be validly given by a direct notification, in the case of Belfius Financing Company Notes from the Paying Agent to the Noteholders and, in the case of Belfius Bank Notes from Belfius Bank to the Noteholders, each time as the Issuer in his discretionary opinion shall deem necessary to give fair and reasonable notice to the Noteholders.

Any such notice shall be deemed to have been given on the date immediately following the date of notification from the Paying Agent in case of Belfius Financing Company Notes, and from Belfius Bank in case of Belfius Bank Notes.

## *9.18. Meeting of Noteholders*

### *9.18.1. Definitions*

1. references to a meeting are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment
2. references to “**Notes**” and “**Noteholders**” are only to the Notes of the Series in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively
3. “**agent**” means a holder of a voting certificate or a proxy for, or representative of, a Noteholder
4. “**block voting instruction**” means an instruction issued in accordance with clause 9.18.4. paragraphs 4 to 8
5. “**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with this Agreement by a majority of at least 75 per cent of the votes cast
6. “**voting certificate**” means a certificate issued in accordance with clause 9.18.4 paragraphs 1, 2, and 3 and
7. references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Notes for the time being outstanding.

### *9.18.2. Powers of meetings*

A meeting shall, subject to the Terms and Conditions and without prejudice to any powers conferred on other persons by the Agency Agreement, have power by Extraordinary Resolution:

1. to sanction any proposal by the relevant Issuer or the Guarantor or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or the Guarantor, whether or not those rights arise under the Notes
2. to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other entity
3. to assent to any modification of the Agency Agreement, the Notes proposed by the Issuer, the Guarantor, the Fiscal Agent or the Domiciliary Agent
4. to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution
5. to give any authority, direction or sanction required to be given by Extraordinary Resolution
6. to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders’ interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution and
7. to approve the substitution of any entity for the relevant Issuer or the Guarantor (or any previous substitute) as principal debtor or guarantor in circumstances not provided for in the Terms and Conditions
8. provided that the special quorum provisions in clause 9.18.7. paragraph 4 shall apply to any Extraordinary Resolution (a “special quorum resolution”) for the purpose of sub-paragraph 2.2 or 2.7.

### *9.18.3. Convening a meeting*

1. The relevant Issuer or the Guarantor may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent in principal amount of the Notes of any Series for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Noteholders of that Series. The meeting shall be held at a time and place as determined by the

Issuer or, where applicable, the Guarantor, subject to, in the case of Belfius Financing Company Notes, approval by the Fiscal Agent or the Domiciliary Agent.

2. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives, obtain voting certificates and use block voting instructions and the details of the time limits applicable.

#### *9.18.4. Arrangements for voting*

1. If a Noteholder Note wishes to obtain a voting certificate in respect of it for a meeting, he must notify the Paying Agent at least 48 hours before the time fixed for the meeting. The Paying Agent shall then issue a voting certificate in respect of it.

2. A voting certificate shall:

- be a document in the English language;
- be dated;
- specify the meeting concerned and the serial numbers of the Notes and
- entitle, and state that it entitles, its bearer to attend and vote at that meeting in respect of those Notes.

3. Once a Paying Agent has issued a voting certificate for a meeting in respect of a Note, it shall not release the Note until either:

- the meeting has been concluded or
- the voting certificate has been surrendered to the Paying Agent.

4. If a Noteholder wishes the votes attributable to it to be included in a block voting instruction for a meeting, then, at least 48 hours before the time fixed for the meeting, (i) he must notify for that purpose the Paying Agent and (ii) he or a duly authorised person on his behalf must direct the Paying Agent how those votes are to be cast. The Paying Agent shall issue a block voting instruction in respect of the votes attributable to all Notes for which it has received such notification.

5. A block voting instruction shall:

- be a document in the English language
- be dated
- specify the meeting concerned
- list the total number and serial numbers of the Notes, distinguishing with regard to each resolution between those voting for and those voting against it
- certify that such list is in accordance with directions received as provided in paragraphs 8, 10 and 13 and
- appoint a named person (a "proxy") to vote at that meeting in respect of those Notes and in accordance with that list. A proxy need not be a Noteholder.

6. Once a Paying Agent has issued a block voting instruction for a meeting in respect of the votes attributable to any Notes the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the meeting.

7. Each block voting instruction shall be deposited at least 24 hours before the time fixed for the meeting at the specified office of the relevant Issuer or the Guarantor or such other place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. If the Issuer requires, a notarial certified copy of each block voting instruction shall be produced by the proxy at the meeting but the Issuer need not investigate or be concerned with the validity of the proxy's appointment.

8. A vote cast in accordance with a block voting instruction shall be valid even if it or any of the Noteholders' instructions pursuant to which it was executed has previously been revoked or amended, unless written



intimation of such revocation or amendment is received from the relevant Issuer by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting.

9. No instructions may be giving by the Noteholder to the Paying Agent at the same time for the purposes of both paragraph 5 and paragraph 8 for the same meeting.

**9.18.5. Chairman**

The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

**9.18.6. Attendance**

The following may attend and speak at a meeting:

- 1. Noteholders and agents
- 2. the chairman
- 3. the Issuer, the Guarantor and the Fiscal Agent or Domiciliary Agent as applicable (through their respective representatives) and their respective financial and legal advisers.

**9.18.7. Quorum and Adjournment**

1. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

2. Two or more Noteholders or agents present in person shall be a quorum :

(i) in the cases marked “No minimum proportion” in the table below, whatever the proportion of the Notes which they represent.

(ii) in any other case, only if they represent the proportion of the Notes shown by the table below.

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
Purpose of Meeting	Any meeting except one referred to in column 3	Meeting previously once adjourned through want of a quorum	Meeting previously twice adjourned through want of a quorum
	Required proportion	Required Proportion	Required Proportion
To pass a special quorum resolution	two thirds of the principal amount of the Notes	one third of the principal amount of the Notes	No minimum proportion
To pass any other Extraordinary Resolution	A clear majority of the principal amount of the Notes	No minimum proportion	No minimum proportion
Any other purpose	10 per cent of the principal amount of the Notes	No minimum proportion	No minimum proportion

3. The chairman may (and shall if directed by a meeting) adjourn the meeting “from time to time and from place to place”. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this clause.

4. At least 10 days' notice of a meeting adjourned for want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

#### *9.18.8. Voting*

1. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor or one or more persons representing 2 per cent. of the Notes.

2. Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

3. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

4. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

5. On a show of hands every person who is present in person and who produces a voting certificate or is a proxy or representative has one vote. On a poll every such person has one vote in respect of each principal amount equal to the minimum denomination of such Series of Notes so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

6. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

#### *9.18.9. Effect and Publication of an Extraordinary Resolution*

An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

#### *9.18.10. Minutes*

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

### *9.19. Taxation*

#### *BELGIAN TAXATION ON THE NOTES*

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of or disposing of the Notes issued by Belfius Bank and the Notes issued by Belfius Financing Company and is of a general nature based on the issuers' understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date (for example the rate of the withholding tax). Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below.

Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes issued by Belfius Bank and/or Belfius Financing Company under the laws of their countries of citizenship, residence, ordinary residence or domicile.

#### *9.19.1. Specific tax regime for notes issued within the x/n System (x/n notes)*

Certain Notes (hereafter “X/N notes”) will be issued through the X/N Clearing System (“X/N System”) of the National Bank of Belgium (the “NBB”). In such a case, the following specific tax regime is applicable, as governed by the Law of 6 August 1993 relating to transactions with certain securities (*Wet van 6 augustus 1993 betreffende de transacties met bepaalde effecten*) and the Royal Decree of 26 May 1994 on the collection and refunding of withholding tax (*Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing overeenkomstig Hoofdstuk I van de wet van 6 augustus 1993 betreffende de transacties met bepaalde effecten*).

Payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the “Eligible Investors”, see hereinafter) in an exempt securities account (an “X Account”) that has been opened with a financial institution that is a direct or indirect participant (a “Participant”) in the Securities Settlement System operated by the National Bank of Belgium (the “NBB” and the “Securities Settlement System”). Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli are directly or indirectly Participants for this purpose.

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

Participants to the NBB system must enter the Notes which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the abovementioned Belgian Royal Decree of 26 May 1994, which include, *inter alia*:

- (i) Belgian corporations subject to Belgian corporate income tax;
- (ii) institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° subject to the application of article 262, 1° and 5° of the Income Tax Code of 1992;
- (iii) state regulated institutions (“*institutions parastatales*”, “*parastatalen*”) for social security, or institutions which are assimilated therewith, provided for in article 105, 2° of the Royal Decree implementing the Income Tax Code 1992;
- (iv) non-resident investors provided for in article 105, 5° of the same decree;
- (v) investment funds, recognized in the framework of pension savings, provided for in article 115 of the same decree;
- (vi) taxpayers provided for in article 227, 2° of the Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the same code;
- (vii) the Belgian State in respect of investments which are exempt from withholding tax in accordance with a article 265 of the Income Tax Code 1992;
- (viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and,

- (ix) Belgian resident corporations, not provided for under (i), when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or non-profit making organizations, other than those mentioned under (ii) and (iii) above.

Participants to the Securities Settlement System must keep the Notes which they hold on behalf of the non-Eligible Investors in a non-exempt securities account (a “**N Account**”). In such instance all payments of interest are subject to the 30 per cent. withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

Transfers of Notes between an X Account and a N Account give rise to certain adjustment payments on account of withholding tax:

- A transfer from a N Account (to an X Account or N Account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer (from an X Account or N Account) to a 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 Notes between two X Accounts do not give rise to any adjustment on account of withholding tax.

The accrued fraction of interest referred to above is equal to the accrued fraction of interest corresponding to the detention period for non-structured notes. For structured notes issued in the X/N System, the Royal Decree of 1 July 2013 amending the Royal Decree of 26 May 1994 on the collection and refunding of withholding tax (Belgian Official Gazette of 9 August 2013), provides that the accrued fraction of interest should be determined on the basis of the value of the parameter(s) of the structured note on issue date and their respective value(s) on the transfer date. The taxable amount so determined constitutes a lump sum basis which will be different, and possibly higher, than the interest income realized on the next interest date and/or maturity date.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration requirement to the X/N System as to the eligible status, save that they need to inform the Participant of any change in the information contained in the statement of their eligible status. However, Participants are requested to annually make declarations to the NBB as to the eligible status of each investor for whom they held Notes in an X-Account during the preceding calendar year.

An X Account may be opened with a Participant by an intermediary (an “Intermediary”) in respect of Notes that the Intermediary holds for the account of its clients (the “Beneficial Owners”), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor, and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to central securities depositaries, as defined by Article 2, §1, 1) of Regulation (EU) n° 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, acting as Participants to the Securities Settlement System, provided that (i) they only hold X Accounts, (ii) they are able to identify the holders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by these central securities depositaries acting as Participants include the contractual undertaking that their clients and account owners are all Eligible Investors.

Hence, these identification requirements do not apply to Notes held in Euroclear, Clearstream, Luxembourg, SIX SIS or Monte Titoli or any other central securities depository as Participants to the Securities Settlement System, provided that (i) Euroclear, Clearstream, Luxembourg, SIX SIS or Monte Titoli only hold X Accounts, (ii) they are able to identify the holders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by these central securities depositories include the contractual undertaking that their clients and account owners are all Eligible Investors.

In accordance with the Securities Settlement System, a Noteholder who is withdrawing Notes from an X Account will, following the payment of interest on those Notes, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding on the interest payable on the Notes from the last preceding Interest Payment Date until the date of withdrawal of the Notes from the Securities Settlement System. As a condition of acceptance of the Notes into the Securities Settlement System, the Noteholders waive the right to claim such indemnity.

### ***9.19.2. Notes issued by Belfius Bank***

All of the Notes issued by Belfius Bank will be “X/N Notes”.

#### ***9.19.2.1. Belgian withholding tax and income tax***

##### **9.19.2.1.1. Belgian resident individuals**

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (“*Personenbelasting*”/“*Impôt des personnes physiques*”) and who hold the Notes as a private investment, are subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

Natural persons who are Belgian residents for tax purposes, are non-Eligible Investors (N-Account holders). All payments of interest on the X/N Notes, as defined below under (i), (ii) and (iii) will therefore be subject to a 30 per cent. withholding tax in Belgium. Belgian natural persons do not have to declare the interest on the Notes in their personal income tax return.

Nevertheless, Belgian resident individuals may elect to declare interest in respect of the Notes in their personal income tax return.

Interest income which is declared in this way will in principle be taxed at a flat rate of 30% (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer’s other declared income, whichever is more beneficial). The Belgian withholding tax levied may be credited.

In accordance with Belgian tax law, the following amounts are qualified and taxable as “interest”:

- (i) periodic interest income,
- (ii) amounts paid by the issuer in excess of the issue price (whether or not on the maturity date), and
- (iii) in case of a transfer of the X/N Notes between two interest payment dates, the pro rata of accrued interest (as defined in *condition 9.19.1.* above).

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one’s private estate (in which case the capital gain will be taxed at 33% plus local municipality surcharge) or unless (and to the extent) the capital gains qualify as interest (as defined in the preceding paragraph(iii) above). Capital losses are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

##### **9.19.2.1.2. Belgian resident companies**

Belgian resident companies do qualify as Eligible Investors and will not be subject to Belgian withholding tax provided they hold the Notes on an X Account.

Interest attributed or paid to corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian Corporate Income Tax (“*vennootschapsbelasting*”/“*impôt des sociétés*”), as well as capital gains realized upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 29%, plus a 2% crisis surcharge, i.e., 29.58%, as of assessment year 2019 linked to a taxable period starting at the earliest on 1 January 2018. Furthermore, small and medium-sized companies (as defined in Article 15, §§1-6 of the Belgian Companies Code) are taxable at the reduced corporate income tax rate of 20.4% for the first EUR 100,000 of their taxable base, provided certain conditions are met. As of assessment year 2021 linked to a taxable period starting at the earliest on 1 January 2020, the corporate income tax rate will be reduced to 25%, and the reduced corporate income tax rate to 20%.

Capital losses realized upon the sale of the Notes are in principle tax deductible.

Other tax rules apply to investment companies within the meaning of Article 185bis of the Income Tax Code 1992.

#### **9.19.2.1.3. 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 are subject to a withholding tax of 30 per cent on interest payments as defined under 9.19.2.1.1, 2<sup>nd</sup> § (i) (ii) and (iii). The withholding tax constitutes the final taxation.

Certain Belgian legal entities which qualify as Eligible Investors (see *Condition 9.19.1.*) and which consequently have received gross interest income, are required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as defined under 9.19.2.1.1 above). Capital losses are in principle not tax deductible.

#### **9.19.2.1.4. Belgian non-residents**

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium, and who do not invest in the Notes in the context of their Belgian professional activity will not incur or become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

### **9.19.2.2 Other taxes**

#### **9.19.2.2.1. Exchange of Information – Common Reporting Standard (“CRS”)**

Reference is made to the section entitled “Risk Factors” (in particular, see Risk Factor 3.3.3. “*Common Reporting Standard – Exchange of Information*”) which includes information on the Common Reporting Standard and the Exchange of Information.

#### **9.19.2.2.2. Exchange of Information - FATCA reporting and withholding**

Belgium implemented the Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment Act of 2010, commonly referred to as “FATCA”, through an Inter-Governmental Agreement (“IGA”) of 23 April 2014 between Belgium and the United States, which was transposed in Belgium by the law of 16 December 2015.

Under FATCA, financial institutions are required to identify their customers and report, according to a due diligence standard, personal data and financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with

respect to the account. Reportable accounts include accounts held by individuals that are US citizens or residents and US entities (which includes e.g. trusts). FATCA includes a requirement to look through passive non-US entities to report on the relevant US controlling persons.

Whilst the Notes are held within the Securities Settlement System, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Securities Settlement System. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid to or to the order of the Securities Settlement System and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the Securities Settlement System and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make on securities such as the Notes.

#### **9.19.2.2.3. Financial Transaction Tax**

Reference is made to the section entitled "*Risk Factors*" (in particular, see Risk Factor 3.1.16. "*The proposed financial transactions tax (FTT)*").

#### **9.19.2.2.4. Tax on stock exchange transactions**

A tax on stock exchange transactions ("*taxe sur les opérations de bourse*" / "*beurstaks*") will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is, for capital guaranteed Notes, 0.12 per cent. with a maximum amount of Euro 1,300 per transaction and per party, and for non capital guaranteed Notes, 0.35 per cent. with a maximum amount of Euro 1,600 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 Notes upon their issuance (primary market) is not subject to the tax on stock exchange transactions.

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

Following the Law of 25 December 2016, the scope of application of the tax on the stock exchange transactions has been extended as of 1 January 2017 to secondary market transactions of which the order is directly or indirectly made to a professional intermediary established outside of Belgium by (i) a private individual with habitual residence in Belgium or (ii) a legal entity for the account of its seat or establishment in Belgium (both referred to as a "Belgian Investor"). In such a scenario, the tax on the stock exchange transactions is due by the Belgian Investor, unless the Belgian Investor can demonstrate that the tax on the stock exchange transactions due has already been paid by the professional intermediary established outside of Belgium. In the latter case, the

foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day the transaction concerned was realised. The qualifying order statements must be numbered in series and a duplicate must be retained by the financial intermediary. The duplicate can be replaced by a qualifying agent day-to-day listing, numbered in series. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (“**Stock Exchange Tax Representative**”). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions on behalf of clients that fall within one of the aforementioned categories (provided that these clients do not qualify as exempt persons for stock exchange tax purposes – see below) and for complying with the reporting obligations and the obligations relating to the order statement (*bordereau/borderel*) in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

The tax referred to above will not be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the code of various duties and taxes (“*Code des droits et taxes divers*”/“*wetboek diverse rechten en taksen*”) for the tax on stock exchange transactions.

#### **9.19.2.2.5. Tax on securities accounts**

Pursuant to the law of 7 February 2018 introducing a tax on securities accounts, a tax of 0.15% will be levied on the share of Belgian resident and non-resident individuals in the average value of the qualifying financial instruments (including but not limited to shares, notes and units of undertakings for collective investment) held on one or more securities accounts during a reference period of twelve consecutive months starting on 1 October and ending on 30 September of the subsequent year (“**Tax on Securities Accounts**”). The first reference period starts on the day of entry into effect of the Law (i.e., 10 March 2018) and ends on 30 September 2018.

No Tax on Securities Accounts will be due provided the holder’s share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder’s share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts will be due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and, hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals only fall within the scope of the Tax on Securities Accounts provided they are held on securities accounts with a financial intermediary established or located in Belgium. Note that pursuant to certain double tax treaties, Belgium has no right to tax capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a stockbroking firm as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and investment companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder’s share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying



financial instruments on several securities accounts held with multiple intermediaries of which the average value does not amount to EUR 500,000 or more, but of which the holder's share in the total average value of these accounts amounts to at least EUR 500,000). Otherwise, the Tax on Securities Accounts would have to be declared and would be due by the holder itself unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("Tax on the Securities Accounts Representative"). Such a Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals will have to report in their annual income tax return various securities accounts held with one or more financial intermediaries of which they are considered as a holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered as a holder within the meaning of the Tax on Securities Accounts.

Prospective investors are urged to consult their own tax advisors as to the tax consequences of the application of this new tax on their investment in Notes.

### *9.19.3. Notes issued by Belfius Financing Company*

**9.19.3.1. Belgian withholding tax and income tax.** (for other taxes, reference is made to 9.19.3.2)

#### **9.19.3.1.1. "X/N" Notes**

##### **9.19.3.1.1.1. Belgian resident individuals**

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax ("*Personenbelasting*" / "*Impôt des personnes physiques*") and who hold the Notes as a private investment, are subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

Natural persons who are Belgian residents for tax purposes, are non-Eligible Investors (N-Account holders). All payments of interest on the X/N Notes, as defined below under (i), (ii) and (iii) will therefore be subject to a 30 per cent. withholding tax in Belgium. Belgian natural persons do not have to declare the interest on the Notes in their personal income tax return.

Nevertheless, Belgian resident individuals may elect to declare interest in respect of the Notes in their personal income tax return.

Interest income which is declared in this way will in principle be taxed at a flat rate of 30% (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer's other declared income, whichever is more beneficial). The Belgian withholding tax levied may be credited.

In accordance with Belgian tax law, the following amounts are qualified and taxable as "interest":

- (i) periodic interest income,
- (ii) amounts paid by the issuer in excess of the issue price (whether or not on the maturity date), and
- (iii) in case of a transfer of the X/N Notes between two interest payment dates, the pro rata of accrued interest (as defined in *condition 9.19.1.* above).

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one's private estate (in which case the capital gain will be taxed at 33%

plus local municipality surcharge) or unless (and to the extent) the capital gains qualify as interest (as defined in the preceding paragraph). Capital losses are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

#### **9.19.3.1.1.2. Belgian resident companies**

Belgian resident companies do qualify as Eligible Investors and will not be subject to Belgian withholding tax provided they hold the Notes on an X Account.

Interest attributed or paid to corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian Corporate Income Tax (“*vennootschapsbelasting*”/“*impôt des sociétés*”), as well as capital gains realized upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 29%, plus a 2% crisis surcharge, i.e., 29.58%, as of assessment year 2019 linked to a taxable period starting at the earliest on 1 January 2018. Furthermore, small and medium-sized companies (as defined in Article 15, §§1-6 of the Belgian Companies Code) are taxable at the reduced corporate income tax rate of 20.4% for the first EUR 100,000 of their taxable base, provided certain conditions are met. As of assessment year 2021 linked to a taxable period starting at the earliest on 1 January 2020, the corporate income tax rate will be reduced to 25%, and the reduced corporate income tax rate to 20%.

Capital losses realised upon the sale of the Notes are in principle tax deductible.

Other tax rules apply to investment companies within the meaning of Article 185bis of the Income Tax Code 1992.

#### **9.19.3.1.1.3. 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 are subject to a withholding tax of 30 per cent on interest payments as defined under 9.19.2.1.1, 2<sup>nd</sup> § (i) (ii) and (iii). The withholding tax constitutes the final taxation.

Certain Belgian legal entities which qualify as Eligible Investors (see *Condition 9.19.1.*) and which consequently have received gross interest income, are required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as defined as defined under 9.19.3.1.1.1. above). Capital losses are in principle not tax deductible.

#### **9.19.3.1.1.4. Belgian non-residents**

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium, and who do not invest in the Notes in the context of their Belgian professional activity will not incur or become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

### **9.19.3.1.2. Notes issued outside the X/N System**

#### **9.19.3.1.2.1. Tax rules applicable to natural persons resident in Belgium**

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (“*Personenbelasting*”/“*Impôt des personnes physiques*”) and who hold the Notes as a private investment, are in Belgium subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as “interest”:

- (i) periodic interest income

- (ii) amounts paid by the issuer in excess of the issue price (whether or not on the maturity date)
- (iii) if the Notes qualify as “fixed income securities” (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a transfer of the Notes between two interest payment dates, 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. In a circular letter of 25 January 2013, the central tax administration takes the position that certain structured notes also qualify as “fixed income securities” if they are characterized by one or more of the following terms: (a) a (conditional) minimum return; (b) capital protection; (c) a periodical coupon and/or (d) the determination of income during an intermediate period via a system of “clicks”. Upon a transfer of such structured notes, the taxable (accrued) interest amount should be determined on the basis of the value of the parameter(s) of the structured note on issue date and their respective value(s) on the transfer date. The taxable amount so determined constitutes a lump sum basis which will be different, and possibly higher, than the interest income realised on the next interest date and/or maturity date.

Payments of interest on the Notes as defined under (i) and (ii) made through a paying agent in Belgium will in principle be subject to a 30 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). If such Belgian withholding tax was levied, then Belgian natural persons do not have to declare the interest on the Notes in their personal income tax return.

Nevertheless, Belgian resident individuals may elect to declare interest in respect of the Notes in their personal income tax return.

Interest income which is declared in this way will in principle be taxed at a flat rate of 30% (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer’s other declared income, whichever is more beneficial). The Belgian withholding tax levied may be credited.

Interest amounts on Notes as defined under (iii) made through a paying agent in Belgium are not subject to Belgian withholding tax. The transferor will be required to declare this (accrued) interest amount in his/her personal income tax return.

If the interest is paid outside Belgium without the intervention of a Belgian paying agent, the interest received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return and will be taxed at a flat rate of currently 30.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one’s private estate or unless the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

#### **9.19.3.1.2.2. Belgian resident companies**

Interest attributed or paid to corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian Corporate Income Tax (*“vennootschapsbelasting”/“impôt des sociétés”*), as well as capital gains realized upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 29%, plus a 2% crisis surcharge, i.e., 29.58%, as of assessment year 2019 linked to a taxable period starting at the earliest on 1 January 2018. Furthermore, small and medium-sized companies (as defined in Article 15, §§1-6 of the Belgian Companies Code) are taxable at the reduced corporate income tax rate of 20.4% for the first EUR 100,000 of their taxable base, provided certain conditions are met. As of assessment year 2021 linked to a taxable period starting at the earliest on 1 January 2020, the corporate income tax rate will be reduced to 25%, and the reduced corporate income tax rate to 20%.

Capital losses realised upon the sale of the Notes are in principle tax deductible.

Other tax rules apply to investment companies within the meaning of Article 185bis of the Income Tax Code 1992.

Interest payments on the Notes made through a paying agent in Belgium can under certain circumstances be exempt from withholding tax, provided a special certificate is delivered. Subject to certain conditions, any Belgian withholding tax that would be levied is creditable in accordance with the applicable legal provisions.

#### **9.19.3.1.2.3. Belgian legal entities**

Legal entities who are Belgian residents for tax purposes, i.e. who are subject to Belgian tax on legal entities (“*Rechtspersonenbelasting*”/“*impôt des personnes morales*”) are in Belgium subject to the following tax treatment with respect to the Notes.

Payments of interest, as defined under 9.19.3.1.2.1, 2<sup>nd</sup> § (i) and (ii), on the Notes made through a paying agent in Belgium will in principle be subject to a 30 per cent. withholding tax in Belgium and no further tax on legal entities will be due on the interest.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is required to declare and pay the withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined under (iii) above). Capital losses are in principle not tax deductible.

#### **9.19.3.1.2.4. Organization for Financing Pensions**

Belgian pension fund entities that have the form of an Organization for Financing Pensions (OFP) are subject to Belgian Corporate Income Tax (“*Vennootschapsbelasting*”/“*Impôt des sociétés*”). OFPs are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by OFP Noteholders on the Notes and capital gains realised on the Notes will be exempt from Belgian Corporate Income Tax. Capital losses are in principle not tax deductible.

The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

#### **9.19.3.1.2.5. Belgian non-residents**

The interest income as defined under 9.19.3.1.2.1, 2<sup>nd</sup> § (i) and (ii) on the Notes paid through a professional intermediary in Belgium will, in principle, be subject to a 30 per cent. withholding tax, unless the Noteholder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors can also obtain an exemption of Belgian withholding tax on interest from the Notes if they are the owners or *usufructors* of the Notes and they deliver an affidavit confirming that they have not allocated the Notes to business activities in Belgium and that they are non-residents, provided that (i) the interest is paid through a Belgian credit institution, stock market company or clearing or settlement institution and that (ii) the Notes are not used by the Issuer for carrying on a business in Belgium.

The non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are subject to the same tax rules as the Belgian resident companies (see 9.19.3.1.2.2 above). Non-resident Noteholders who do not allocate the Notes to a professional activity in Belgium are not subject to Belgian income tax, save, as the case may be, in the form of withholding tax.

### **9.19.3.2 Other taxes**

#### **9.19.3.2.1. Exchange of Information – Common Reporting Standard (“CRS”)**

Reference is made to the section entitled “Risk Factors” (in particular, see Risk Factor 3.3.3. “*Common Reporting Standard – Exchange of Information*”) which includes information on the Common Reporting Standard and the Exchange of Information.

#### **9.19.3.2.2. Exchange of Information - FATCA reporting and withholding**

Belgium implemented the Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment Act of 2010, commonly referred to as “**FATCA**”, through an InterGovernmental Agreement (“**IGA**”) of 23 April 2014 between Belgium and the United States, which was transposed in Belgium by the law of 16 December 2015.

Under FATCA, financial institutions are required to identify their customers and report, according to a due diligence standard, personal data and financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals that are US citizens or residents and US entities (which includes e.g. trusts). FATCA includes a requirement to look through passive non-US entities to report on the relevant US controlling persons.

Whilst the Notes are held within the Securities Settlement System, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Securities Settlement System. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid to or to the order of the Securities Settlement System and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the Securities Settlement System and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make on securities such as the Notes.

#### **9.19.3.2.3. Financial Transaction Tax**

Reference is made to the section entitled “Risk Factors” (in particular, see Risk Factor 3.1.16. “*The proposed financial transactions tax (FTT)*”).

#### **9.19.3.2.4 Tax on stock exchange transactions**

A tax on stock exchange transactions (“*taxe sur les opérations de bourse*”/“*beurstaks*”) will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is, for capital guaranteed Notes, 0.12 per cent. with a maximum amount of Euro 1,300 per transaction and per party, and for non-capital guaranteed Notes, 0.35 per cent. with a maximum amount of Euro 1,600 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 Notes upon their issuance (primary market) is not subject to the tax on stock exchange transactions.

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

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

The tax referred to above will not be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the code of various duties and taxes (“*Code des droits et taxes divers*”/“*wetboek diverse rechten en taksen*”) for the tax on stock exchange transactions.

#### **9.19.3.2.5 Tax on securities accounts**

Pursuant to the law of 7 February 2018 introducing a tax on securities accounts, a tax of 0.15% will be levied on the share of Belgian resident and non-resident individuals in the average value of the qualifying financial instruments (including but not limited to shares, notes and units of undertakings for collective investment) held on one or more securities accounts during a reference period of twelve consecutive months starting on 1 October and ending on 30 September of the subsequent year (“Tax on Securities Accounts”). The first reference period starts on the day of entry into effect of the Law (i.e., 10 March 2018) and ends on 30 September 2018.

No Tax on Securities Accounts will be due provided the holder’s share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder’s share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts will be due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and, hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals only fall within the scope of the Tax on Securities Accounts provided they are held on securities accounts with a financial intermediary established or located in Belgium. Note that pursuant to certain double tax treaties, Belgium has no right to tax capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary is defined as (i) a credit institution or a stockbroking firm as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and investment companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are, pursuant to national law, admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts is in principle due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value does not amount to EUR 500,000 or more, but of which the holder's share in the total average value of these accounts amounts to at least EUR 500,000). Otherwise, the Tax on Securities Accounts would have to be declared and would be due by the holder itself unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("Tax on the Securities Accounts Representative"). Such a Tax on the Securities Accounts Representative will then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals will have to report in their annual income tax return various securities accounts held with one or more financial intermediaries of which they are considered as a holder within the meaning of the Tax on Securities Accounts. Non-resident individuals have to report in their annual Belgian non-resident income tax return various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered as a holder within the meaning of the Tax on Securities Accounts.

Prospective investors are urged to consult their own tax advisors as to the tax consequences of the application of this new tax on their investment in Notes.

### *9.20. Governing Law and Jurisdiction*

The Notes and the Guarantee are governed by Belgian law.

All disputes arising out of or in connection with the Notes or the Guarantee shall be submitted to the jurisdiction of the competent courts in Belgium.

The Agency Agreement is governed by Luxembourg law with respect of Bearer Notes and by Belgian law with respect of Dematerialized Notes.

### *9.21. Financial Service*

The financial service will be performed by Belfius Bank (in Belgium) and BIL (in Luxembourg).

### *9.22. Representation of Noteholders*

There is no representation of the holders of the Notes in relation to any offer of Notes.

### *9.23. Guarantee*

The section below only applies to Belfius Financing Company Notes.

The Guarantor has, by a senior preferred guarantee (the “Guarantee”, see Annex 2), unconditionally and irrevocably guaranteed on a senior preferred unsubordinated basis the due and punctual payment of the principal of and interest on the Notes as well as of any additional amounts which may be required to be paid by Belfius Financing Company (as described under *Condition 9.19. Taxation*).

The obligations of the Guarantor under the Guarantee are direct, unconditional and unsecured obligations of the Guarantor and rank *pari passu* with all other outstanding unsecured and senior preferred obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.



# 10. TERMS AND CONDITIONS OF THE OFFER

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(Annex V.5 of Regulation (EC) 809/2004)

The Notes will be offered for subscription during the Offering Period (specified in the relevant Final Terms) at the relevant Issue Price. Any applicable fees or commissions will be specified in the relevant Final Terms. The Issuer has the right to cancel any issue of Notes under the Programme during their Offering Period until the fifth Business Day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Notes will be notified pursuant to Condition 9.17. of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Notes issue has been reached or if the market conditions adversely affect the interest or the redemption amounts to be paid by the Issuer.

The cash account of the Noteholder will be debited on the Issue Date. At the same date, the Notes will be transferred on the securities accounts of the Noteholders.

If Notes are deposited in a securities account with Belfius Bank, Belfius Bank will not charge any fees for this service, nor for the opening of such securities account. If a Noteholder chooses to deposit his or her securities with another financial institution, he or she must inquire the fees charged by this institution.

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

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

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

Until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by a dealer that is not participating in the offering may violate the registration requirements imposed by the U.S. Securities Act of 1933, as amended.

Any document connected with the issue of the Notes has only been issued or passed on and will only be issued and passed on in the United Kingdom to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “UK FSMA”) in connection with the issue or sale of any Notes, has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the UK FSMA does not apply to the Issuer and all applicable provisions of the UK FSMA with respect to anything done in relation to such Notes in, from or otherwise involving the United Kingdom have been complied with and will be complied with.

# 11. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

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(Annex V.6 of Regulation (EC) 809/2004)

The Notes will not be the subject of an application for admission to trading on a regulated or non-regulated market, nor have any Notes previously issued under the Notes Issuance Programme ever been the subject of an application for admission to trading on a regulated market or equivalent market.

If liquidity is provided to be “Applicable” in the relevant Final Terms for any Notes, the price of the Notes is available on demand in the offices of Belfius Bank or on the website [www.belfius.be](http://www.belfius.be), and this on each Business Day during the term of such Notes in every office of Belfius Bank until 30 Business Days preceding their Maturity Date or, if applicable, 10 Business Days before the Optional Redemption Date, unless in Belfius Bank’s determination, market conditions preclude it from quoting a price. If Belfius Bank quotes a price, it can be considered market maker for the Notes and will organise the secondary market, thereby providing liquidity through bid and offer rates. The main terms of the commitment of Belfius Bank will be specified in the relevant Final Terms and (i) “**Maximum Spread**” means on any given moment the maximum spread between the then applicable bid and offer rates; (ii) “**Maximum Commission**” means the maximum commission on the bid and offer rates; and (iii) “**Maximum Exit Penalty**” means the maximum exit penalty applicable to the nominal amount of the Notes. The bid and offer rates of the Notes on any given moment are subject to the market conditions, interest rates, forward rates; credit spreads of the relevant Issuer or, in the case of Belfius Financing Company Notes, the Guarantor, etc.

In case of sale of the Notes before maturity, the sale proceeds can be lower than the invested amount.

## 12. USE OF PROCEEDS

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The net proceeds of Notes, i.e. the Nominal Amount less any expenses and fees, will be used for general corporate purposes of Belfius Bank. If, in respect of any particular issuance, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms. In the case of Belfius Financing Company Notes, the proceeds of the issued notes are fully transferred to Belfius Bank.

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

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(Annex IV.17 and XI.14 of Regulation (EC) 809/2004)

There has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

## 14. DOCUMENTS ON DISPLAY

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(Annex IV.17 and XI.14 of Regulation (EC) 809/2004)

Copies of the annual reports dated 31 December 2017 and 31 December 2016 for the Issuer and, as applicable, the Guarantor and of all subsequent annual reports to be published, copies of the articles of association of the Issuer and, as applicable, the Guarantor are available free of charge at the office of Belfius Bank and will be available during the entire lifetime of the Notes.

Additionally, the annual reports of Belfius Bank are available on its internet site <https://www.belfius.com/EN/reports/index.aspx>, and the annual reports of Belfius Financing Company are available on its internet site <https://www.belfius-financingcompany.lu/>.

Moreover, copies of the annual reports and semi annual reports of Belfius Bank are available on the Luxembourg Stock Exchange-website: [www.bourse.lu](http://www.bourse.lu).

# Annex 1: Template for Final Terms

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## APPLICABLE FINAL TERMS

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

**[MiFID II PRODUCT GOVERNANCE – Solely for the purposes of the product approval process of each Manufacturer (i.e., each person deemed a manufacturer for purposes of the EU Delegated Directive 2017/593, hereinafter referred to as a “Manufacturer”), the target market assessment in respect of the Notes as of the date hereof has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients [and retail clients] each as defined in Directive 2014/65/EU (as amended, “MiFID II”); (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate; [and (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice, portfolio management, non-advised sales and pure execution services – subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable.] Any person subsequently offering, selling or recommending the Notes (a “Distributor”) should take into consideration each Manufacturer’s target market assessment. A distributor subject to MiFID II is, however, responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining a Manufacturer’s target market assessment) and determining appropriate distribution channels.]**

**Final Terms dated [●]**

**[Belfius Financing Company SA] [Belfius Bank SA/NV]**

Issue of [Title of Notes]  
[Guaranteed by Belfius Bank SA/NV]  
under the

**Belfius Financing Company SA**

and

**Belfius Bank SA/NV**

**Notes Issuance Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 25 September 2018, which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). **This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus and any supplement thereto.** These Final Terms and the Base Prospectus together constitute the Programme for the Tranche. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for inspection at [the office of the Guarantor,] the office of the Issuer and the website [www.belfius.be](http://www.belfius.be). A summary of the offer of the Notes is provided in an annex to the Final Terms.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Programme under Article 16 of the Prospectus Directive.]*

- |    |   |   |
|----|---|---|
| 1  | (i) Issuer:                                     | [Belfius Bank SA/NV][Belfius Financing Company SA]  |
|    | (ii) Guarantor:                                 | [N/A][Belfius Bank SA/NV]   |
|    | (iii) Calculation Agent:                        | Belfius Bank SA/NV  |
| 2  | (i) Series Number:                              | [●]   |
|    | [(ii) Tranche Number:                           | [●]   |
|    |   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i>                          |
| 3  | Specified Currency or Currencies:               | [●]   |
| 4  | Maximum Amount:                                 |   |
|    | [(i) ]Series:                                   | [●]   |
|    | [(ii) Tranche:                                  | [●]   |
| 5  | Minimum Amount:                                 |   |
|    | [(i) ]Series:                                   | [●]   |
|    | [(ii) Tranche:                                  | [●]   |
| 6  | Offering Period:                                | [●] (except in case of early closing)   |
| 7  | Issue Price:                                    | [●] per cent.<br>[plus accrued interest from <i>[insert date]</i> (in the case of fungible issues only, if applicable)]                               |
| 8  | Denominations:                                  | [●]   |
| 9  | [(i)] Issue Date:                               | [●]   |
|    | [[ (ii)] Interest Commencement Date:            | [●]   |
| 10 | [Scheduled] Maturity Date:                      | [●]   |
| 11 | Interest Basis:                                 | [[●] per cent. Fixed Rate]<br>[Floating Rate]<br>[Zero Coupon]<br>[Variable Linked Rate]<br>[Not Applicable]<br>(further particulars specified below) |
| 12 | Redemption/Payment Basis:                       | [Redemption at par]<br>[Variable Linked Redemption]<br>(further particulars specified below)  |
| 13 | Change of Interest or Redemption/Payment Basis: | [Not Applicable/(Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis)]                     |
| 14 | Call Options:                                   | [Applicable/Not Applicable]   |

		[(further particulars specified below)]
15	Mandatory Early Redemption:	[Applicable/Not Applicable] [(further particulars specified below)]
16	Status of the Notes:	Preferred Senior Notes
17	[Date [Board] approval for issuance of Notes obtained:	[●] (N.B Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)]
18	Form of Notes:	[Bearer Notes/Dematerialised Notes]
19	New Global Note:	Not Applicable

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

20	Fixed Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Fixed Rate:	[●] per cent. per annum
	(ii) Interest Payment Date(s):	[annually/semi-annually/quarterly on ●]
	(iii) Business Days:	[●]
	(iv) Business Day Convention:	[●]
	[(v) Fixed Interest Amount:	[●]]
	[(v)/(vi) Day Count Fraction:	[●]]
	[(v)/(vi)/(vii) Interest Period End Date(s):	[Adjusted/No Adjustment/Other]]
	[(v)/(vi)/(vii)/(viii) Calculation Amount:	[●]]
	[Other terms relating to the method of calculating interest for Fixed Rate Notes:	[●](N.B. Give details)]
21	Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Publication Source:	[EUR-EURIBOR-Reuters (ISDA)/Other]
	(ii) Designated Maturity:	[●]
	(iii) Spread:	[●]
	(iv) Interest Payment Date(s):	[annually/semi-annually/quarterly on ●]
	(v) Day Count Fraction:	[●]
	(vi) Interest Determination Date:	[●]
	(vii) Business Days:	[●]
	(viii) Business Day Convention:	[●]
	(ix) Interest Period End Date(s)	[●] [Adjusted/No Adjustment/Other]
	[(x) Maximum Rate:	[●]]
	[(x)/(xi) Minimum Rate:	[●]]
22	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Amortisation Yield:	[●] per cent. per annum

	Business Days:	[●]
	Business Day Convention:	[●]
	Any other formula/basis of determining amount payable:	[●]
23	Variable Linked Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Underlying:	[Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index]
	(ii) Variable Linked Rate:	[●] <i>(Provide the formula or other method of determination)</i>
	(iii) Interest Payment Date(s):	[●]
	(iv) Business Days:	[●]
	(v) Business Day Convention:	[●]
<b>PROVISIONS RELATING TO REDEMPTION</b>		
24	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Optional Redemption Date(s):	[●]
	Optional Redemption Period:	[●]
	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Note of [●] Denomination
	[If redeemable in part:]	[Applicable/Not Applicable]
	[Minimum Redemption Amount:	[●]]
	[Maximum Redemption Amount:	[●]]
	Notice period:	[●]
25	Mandatory Early Redemption	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Trigger Event(s):	[●]
	(ii) Mandatory Early Redemption Date(s):	[The Interest Payment Date immediately following the occurrence of the Trigger Event(s) as determined by the Calculation Agent. Should the Trigger Event(s) occur on an Interest Payment Date, then the Mandatory Early Redemption Date shall be postponed until the next Interest Payment Date/[●]]
	(iii) Mandatory Early Redemption Amount:	[●] per Note of [●] Denomination
26	Redemption Amount(s) of each Note	[[●] per Note of [●] Denomination] <i>(delete in case of Variable Linked Redemption)</i>
27	Partial Redemption:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>

(i) Partial Redemption Date(s) [●]

(ii) Partial Redemption Amounts: [●]

*(Include below provisions in case of a Variable Linked Redemption)*

#### **Variable Linked Redemption**

(i) Underlying: [Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index]

(ii) Variable Linked Redemption Amount: [●] *(Provide the formula or other method of determination)*

(iii) Business Days: [●]

(iv) Business Day Convention: [●]

(v) Initial Averaging: [Not Applicable / Applicable]

(vi) Averaging: [Not Applicable / Applicable]

[(vi) Initial Averaging Dates: [●]]

[(vi) Averaging Dates: [●]]

#### **VARIABLE LINKED PROVISIONS**

*(Include the relevant provisions below, if the Underlying is one or more **Market Rates**)*

(i) Publication Source: [●]

(ii) Designated Maturity: [●]

(iii) Spread: [●]

(iv) Interest Determination Date: [●]

[(v) Day count Fraction: [●]]

*(Include the relevant provisions below, if the Underlying is a **Share**)*

(i) Share: [●] *(Insert full title of the Share and its ISIN code)*

(ii) Exchange: [●]

(iii) Related Exchange: [[●]/All Exchanges]

(iv) Valuation Date(s): [●]

[(v) Initial Valuation Date: [●]]

[(v) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is **Share Basket**)*

(i) Share Basket:

<i>i</i>	<i>W<sub>(j=1)</sub></i>	<i>W<sub>(j=2)</sub></i>	...	Share	Exchange	Related Exchange	Securities code
1	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]
2	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]
...	[●]%	[●]%	[●]%	[●]	[●]	[●]/All Exchanges	[●]



- (ii) Valuation Date(s): [●]  
 [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is an **Share Index**)*

- (i) Index: [●]  
 (ii) Exchange: [[●]/Multiple Exchange]  
 (iii) Related Exchange: [[●]/All Exchanges]  
 (iv) Valuation Date(s): [●]  
 [(v) Initial Valuation Date: [●]]  
 [(v) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Share Indices**)*

- (i) Index Basket:

<i>i</i>	$W_{(j=1)}$	$W_{(j=2)}$	...	Index	Exchange	Related Exchange
1	[●]%	[●]%	[●]%	[●]	[●]/Multiple Exchange	[●]/All Exchanges
2	[●]%	[●]%	[●]%	[●]	[●]/Multiple Exchange	[●]/All Exchanges
...	[●]%	[●]%	[●]%	[●]	[●]/Multiple Exchange	[●]/All Exchanges

- (ii) Valuation Date(s): [●]  
 [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Fund**)*

- (i) Reference Fund: [●] *(Insert full title of the Reference Fund, including its sponsor, the ISIN code, class, if applicable, and a short description)*  
 (ii) Valuation Date(s): [●]  
 [(iii) Initial Valuation Date: [●]]  
 [(iii) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Funds**)*

- (i) Fund Basket:

<i>i</i>	$W_{(j=1)}$	$W_{(j=2)}$	...	Reference Fund	Class	Fund Description	Fund Administrator	ISIN Code
1	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]	[●]
2	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]	[●]
...	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]	[●]

- (ii) Valuation Date(s): [●]  
 [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Commodity**)*

- (i) Commodity: [●]
- (ii) Exchange: [●]
- (iii) Price Source: [●]
- (iv) Valuation Time: [●]
- (v) Valuation Date(s): [●]
- [(vi) Initial Valuation Date: [●]]
- [(vi) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity**)*

- (i) Commodity Basket:

<i>i</i>	$W_{(j=1)}$	$W_{(j=2)}$	...	Commodity	Exchange	Price Source	Valuation Time
1	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]
2	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]
...	[●]%	[●]%	[●]%	[●]	[●]	[●]	[●]

- (ii) Valuation Date(s): [●]
- [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is a **Commodity Index**)*

- (i) Commodity Index: [●]
- (ii) Valuation Time: [●]
- (iii) Valuation Date(s): [●]
- [(iv) Initial Valuation Date: [●]]
- [(iv) Initial Price: [●]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity Indices**)*

- (i) Commodity Index Basket:

<i>i</i>	$W_{(j=1)}$	$W_{(j=2)}$	...	Commodity Index	Valuation Time
1	[●]%	[●]%	[●]%	[●]	[●]
2	[●]%	[●]%	[●]%	[●]	[●]
...	[●]%	[●]%	[●]%	[●]	[●]

- (ii) Valuation Date(s): [●]
- [(iii) Initial Valuation Date: [●]]

*(Include the relevant provisions below, if the Underlying is an **Inflation Index**)*

- (i) Index: [●]  
[The first publication or announcement of a level of such index for a Reference Month shall be

final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.]

- (ii) Initial Index: [●]
- (iii) Final Index: [●]
- (iv) Index Sponsor: [●]
- (v) Reference Month: [●]

*(include, if applicable, relevant disclaimer with respect to the index sponsor)*

[The [indicate relevant index sponsors] (the “**Index Sponsors**”) and their licensors, research partners or data providers have no relationship with the Issuer [and Guarantor], other than the licensing of the Issuer’s [and/or Guarantor’s] right to insert the [*name of the applicable index*] and the related trademarks for use in connection with the Notes. “Index Sponsors” shall also refer to the entities belonging to the same corporate group as the Index Sponsors. **The Index Sponsors and their licensors, research partners or data providers do not** (i) sponsor, endorse, sell or promote the Notes, (ii) recommend that any person invest in the Notes or any other securities, (iii) have any responsibility or liability for or make any decisions regarding the timing, amount or pricing of the Notes, (iv) have any responsibility or liability for the administration, management or marketing of the Notes, (v) consider the needs of the Notes or the owners of the Notes in determining, composing or calculation the [relevant index] or have an obligation to do so. **The Index Sponsors and their licensors, research partners or data providers give no warranty and exclude any liability (whether in negligence or otherwise) in connection with the Notes and their performance.** The Index Sponsors do not assume any contractual relationship with the purchasers of the Notes or any third parties. **Specifically** (i) The Index Sponsors and their licensors, research partners or data providers do not give any warranty, express or implied, and exclude, in particular, any liability about: (x) the results to be obtained by the Notes, the owner of the Notes or any other person in connection with the use of the [*relevant index*] and the data contained in the [*relevant index*], (y) the accuracy, timeliness, and completeness of the [*relevant index*] and its data; (z) the merchantability and fitness for a particular

purpose or use of the [relevant index] and its data; (xx) the performance of the Notes generally. The Index Sponsors and their licensors, research partners or data providers give no warranty and exclude any liability, for any errors, omissions or interruptions of in the [relevant index] or its data. Under no circumstances will the Index Sponsors or their licensors, research partners or data providers be liable (whether in negligence or otherwise) for any lost profits or indirect, punitive, special or consequential damages or losses, arising as a result of such errors, omissions or interruptions in the [relevant index] or its data or generally in relation to the Notes, even in circumstances where the Index Sponsors or their licensors, research partners or data providers are aware that such loss or damage may occur. The licensing agreement between the Issuer [and the Guarantor] and the Index Sponsors is solely for their benefit and not for the owners of the Notes or any third parties.]

[other disclaimers to be added as appropriate]

## REASONS FOR THE OFFER

Reasons for the offer:

[●](See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from general corporate purposes of the Issuer, will need to include those reasons here.)

## DISTRIBUTION

Dealer(s):

[Belfius Bank SA/NV/ [●]]

[Selling fees:

[●]] [To be further completed as appropriate][1. Fees included in the Issue Price, linked to the structuration and management of the Notes and borne by the investors:

Total commission and concession:

- Upfront fee: [●] % of the subscribed nominal amount of Notes.
- Recurring annual fees: [●] % of the subscribed nominal amount of Notes, i.e. a maximum of [●]% if the Notes are held until the scheduled Maturity Date.

The above mentioned fees are indicative only. These fees may fluctuate either upwards or downwards depending on the market conditions during the Offer Period.

[2. Fees and other costs not included in the Issue Price, and borne by the investors:

Brokerage Fee: [●] % of the subscribed

nominal amount of Notes, payable upfront

[Additional selling restrictions: [●]]

### OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Clearing System(s): [●]

Principal Paying Agent: \*[Belfius Bank SA/NV][ Banque Internationale à Luxembourg, SA]

Paying Agent: \*[N/A][ Belfius Bank SA/NV ]

[Relevant Benchmark[s]] [Not Applicable]/[[specify benchmark] is provided by [administrator legal name]. As at the date hereof, [administrator legal name][appears]/[does not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation.]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmark Regulation.]

### SECONDARY MARKET *(Include this provision if Secondary Market is provided)*

[Applicable]

Maximum Spread: [●]

Maximum Commission: [●]

Maximum Exit Penalty: [●]

### RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:.....

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

Duly authorised]



# Annex 2: Guarantee

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A form of the Guarantee is reproduced here below:

**BELFIUS FINANCING COMPANY SA**  
**And**  
**BELFIUS BANK SA/NV**  
**Notes Issuance Programme**  
**GUARANTEE**  
by  
**Belfius Bank SA/NV**  
**IN RELATION TO NOTES ISSUED BY Belfius Financing Company**

25 September 2018

WHEREAS the Board of Directors of Belfius Financing Company S.A. (the “**Issuer**” or “**Belfius Financing Company**”) has decided on 11 September 2018, to update the Notes Issuance Programme (the “**Programme**”) under which it may from time to time issue Notes (the “**Belfius Financing Company Notes**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior preferred obligations of the Issuer (the “**Belfius Financing Company Notes**”) according to the terms and conditions enumerated in such decision. Belfius Financing Company Notes will be guaranteed by Belfius Bank SA/NV (also named Belfius Banque SA/Belfius Bank NV) (the “**Guarantor**” or “**Belfius Bank**”) pursuant to this senior preferred guarantee (the “**Guarantee**”);

WHEREAS the Management Board of Belfius Bank has approved to guarantee the issuance by Belfius Financing Company of Belfius Financing Company Notes under the Programme by its decision of 27 June 2018;

WHEREAS the Management Board of Belfius Bank in its decision of 27 June 2018 has delegated all powers to execute such Guarantee to Mr. D. Gyselinck, member of the Management Board, with the right for him to delegate his powers;

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Belfius Financing Company Note (each a “**Noteholder**” and together the “**Noteholders**”) to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those enumerated in the Base Prospectus and the relevant Final Terms, and which are included by reference in the present Guarantee. This Guarantee is enforceable against the Guarantor upon first demand sent by the holder by registered mail to the registered office of the Guarantor.

The Base Prospectus has been approved by the Financial Services and Markets Authority in its decision of 25 September 2018.

It is understood that any payments to be made under this Guarantee shall be made in the currency of the underlying Notes.

This Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such Notes.

This Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Guarantee are to be brought before the competent Courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Guarantee to be duly executed and delivered as of 25 September 2018.

On behalf of Belfius Bank SA/NV

Dirk Gyselinck  
Member of the Management Board



# Annex 3: Articles of Association

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## **A. Belfius Bank**

Copies of the Articles of Association (in English, French and Dutch) of Belfius Bank may be obtained without charge from the offices of Belfius Bank and are also available on the website of Belfius Bank (<https://www.belfius.com/>) in the Company profile, section “Who we are” (link <https://www.belfius.com/EN/company-profile/who-we-are/articles-of-association/index.aspx?firstWA=no>)

## B. Belfius Financing Company

### BELFIUS FINANCING COMPANY S.A.

Société anonyme

R.C.S. Luxembourg B 156.767

## Articles of Association Dated 7 May 2014

### **Title I. - Denomination, Registered office, Object, Duration**

**Art. 1.** There is hereby established a *société anonyme* under the name of “Belfius Financing Company”.

**Art. 2.** The registered office of the company is established in the municipality of Koerich.

It may be transferred to any other place in the municipality of Koerich by a decision of the board of directors

If extraordinary political or economic events occur or are imminent, which might interfere with the normal activity at the registered office, or with easy communication between this office and abroad, the registered office may be declared to have been transferred abroad provisionally until the complete cessation of these abnormal circumstances.

Such decision, however, shall have no effect on the nationality of the company. Such declaration of the transfer of the registered office shall be made and brought to the attention of third parties by the organ of the corporation, which is best situated for this purpose under such circumstances.

**Art. 3.** The company is established for an unlimited period.

**Art. 4.** The purpose of the Company is: (a) to hold shareholdings and stakes, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign company or undertakings, as well as to manage and optimise these stakes, (b) to acquire by way of participations, contributions, guarantees, acquisitions or options, negotiation or any other means, securities, rights, patents, licenses and other assets, provided the Company considers it appropriate to do so, and in general to hold, manage, optimise, sell or transfer the aforementioned, in whole or in part; (c) to take part in commercial, financial or other transactions and to grant to any holding company, subsidiary, associated or affiliated company or any other company belonging to the same corporate group as the Company any financial assistance, loan, advance or guarantee; (d) to borrow, raise funds by any means whatsoever (including without limitation the issuance of preferred equity certificates (PECs) (nonconvertible or convertible into shares), loans, bonds, acknowledgements of debt and any other form of debt or type of instrument) and to ensure the reimbursement of any borrowed amount; to perform all operations directly or indirectly related to this purpose.

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

The Company may acquire immovable property located abroad or in Luxembourg.

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

### **Title II. - Capital, Shares**

**Art. 5.** The share capital of the Company is set at three million ninety-four thousand four euro (EUR 3,094,004) divided into two hundred and fifty-one (251) shares, without nominal value.

The shares are in registered form.

The company may, to the extent and under the terms permitted by law, purchase its own shares.

The corporate capital may be increased or reduced in compliance with the legal requirements.

The company recognises only one single owner per share. If one or more shares are jointly owned or if the ownership of such share(s) is disputed, all persons claiming a right to such share(s) have to appoint one single attorney to represent such share(s) towards the company.

The failure to appoint such attorney implies a suspension of all rights attached to such share(s).

### **Title III. – Management**

**Art. 6.** The Company shall be managed by a board of directors composed of at least three (3) directors, who need not be shareholders of the Company. The directors shall be elected by the shareholders at a general meeting, which shall determine their number, remuneration and term of office. The term of office of a director may not exceed six (6) years and the directors shall hold office until their successors are elected. The directors

may be re-elected for consecutive terms of office. The directors are split in two (2) categories, directors of category A and directors of category B.

In case the company is incorporated by a sole shareholder, or if, at a general meeting of shareholders, it is noted that the company only has one shareholder, the composition of the board of directors may be limited to one sole director until the next annual general meeting at which it is noted that the company has (again) more than one shareholder.

In this case, the sole director exercises the powers devolving on the board of directors.

The directors are elected by a simple majority vote of the shares present or represented. Any director may be removed at any time with or without cause by the general meeting of shareholders.

In the event of a vacancy in the office of a director because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, in compliance with the applicable legal provisions.

**Art. 7.** The board of directors will elect from among its members a chairman. When he is prevented, he is replaced by the eldest director. The first chairman may be appointed by the extraordinary general shareholders meeting following the incorporation of the company.

The board of directors convenes upon call by the chairman or by the eldest director, when the chairman is prevented, as often as the interest of the corporation so requires. It must be convened each time two directors so request.

Any director may act at any meeting of the board of directors by appointing in writing or by telegram, telex or facsimile another director as his proxy. A director may represent one or more of his colleagues.

The board of directors can deliberate and/or act validly only if all the directors are present or represented at a meeting of the board of directors. If the required presence quorum is not attained, the meeting shall be adjourned and a second meeting shall be convened at the same hour, five business days later, which will deliberate and/or act validly only if a majority of the directors is present or represented at such meeting.

Decisions shall be taken by a majority vote of the directors present or represented at such meeting. In case of a tie in votes, the vote of the chairman of the meeting will be decisive.

Board resolutions can also be taken by circular letter, the signatures of the different board members may be apposed on several exemplars of the board resolution in writing.

Any director may also participate in any meeting of the board of directors by conference call, videoconference or by other similar means of communication allowing all the persons taking part in the meeting to hear one another. The participation in a meeting by these means is equivalent to a participation in person at such meeting.

**Art. 8.** The board of directors is vested with the broadest powers do perform all acts of administration and disposition in compliance with the corporate object.

All powers not expressly reserved by law or by the present articles of association to the general meeting of shareholders fall within the competence of the board of directors. The board of directors may pay interim dividends, in compliance with the legal requirements.

**Art. 9.** The Company will only be bound by the joint signature of any A director together with any B director or by the single signature to whom such signatory power has been validly delegated by the board of directors or by a decision signed by a director A and by a director B jointly

**Art. 10.** The board of directors may delegate its powers to conduct the daily management of the company to one or more directors, officers, managers or other agents, shareholder or not, acting alone or jointly.

The board of directors may also commit the management of all the affairs of the corporation or of a special branch to one or more managers, and give special powers for determined matters to one or more proxy holders, selected from its own members or not, either shareholders or not.

**Art. 11.** Any litigations involving the company either as plaintiff or as defendant, will be handled in the name of the company by the board of directors, represented by its chairman or by the director delegated for this purpose.

#### **Title IV. - Supervision**

**Art. 12.** The company is supervised by one or several statutory auditors, appointed by the general meeting of shareholders which will fix their number and their remuneration, as well as the term of their office, which must not exceed six years.

Whenever required by law the company is supervised by one or several independent auditors in lieu of the statutory auditor(s).

The independent auditors are appointed, pursuant to the related legal provisions, either by the general meeting of shareholders or by the board of directors. The independent auditors shall fulfil all the duties set forth by the related law.

#### **Title V. - General meeting**

**Art. 13.** The general meeting of shareholders of the company represents all the shareholders of the company. It has the broadest powers to order, carry out or ratify acts relating to the operations of the company, unless the present articles of association provide otherwise.

The annual general meeting will be held in the city of Luxembourg at the place specified in the convening notices on the third Wednesday of March at 10.00 a.m..

If such day is a legal holiday, the general meeting will be held on the next following business day.

Other general meetings of shareholders may be held at such places and dates as may be specified in the respective notices of meeting.

Each share entitles one vote. Each shareholder may participate to the meetings of the shareholders by appointing in writing, by telecopy, email or any other similar means of communication, another person as his proxy-holder.

If all shareholders are present or represented at a meeting of the shareholders, and if they declare knowing the agenda, the meeting may be held without convening notice or prior publication.

If the company only has one sole shareholder, the latter exercises the powers devolving on the general meeting,

#### **Title VI. - Accounting year, Allocation of profits**

**Art. 14.** The accounting year of the company shall begin on January 1 and shall terminate on December 31 of each year.

**Art. 15.** After deduction of any and all of the expenses of the company and the amortizations, the credit balance represents the net profits of the company. Of the net profits, five percent (5,00 %) shall be appropriated for the legal reserve; this deduction ceases to be compulsory when the reserve amounts to ten percent (10,00 %) of the capital of the company, but it must be resumed until the reserve is entirely reconstituted if, at any time, for any reason whatsoever, it has been touched.

The balance is at the disposal of the general meeting.

#### **Title VII. - Dissolution, Liquidation**

**Art. 16.** The company may be dissolved by a resolution of the general meeting of shareholders. The liquidation will be carried out by one or more liquidators, physical or legal persons, appointed by the general meeting of shareholders which will specify their powers and fix their remunerations.

#### **Title VIII. - General provisions**

**Art. 17.** All matters not governed by these articles of association are to be construed in accordance with the law of August 10<sup>th</sup> 1915 on commercial companies and the amendments hereto.

# Annex 4: Agency Agreement

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**BELFIUS FINANCING COMPANY SA**

as Issuer  
and

**BELFIUS BANK SA/NV**

as Guarantor of Notes issued by Belfius Financing Company SA, Paying Agent and  
Calculation Agent

**BANQUE INTERNATIONALE A LUXEMBOURG SA**

as Fiscal Agent and Principal Paying Agent

**AGENCY AGREEMENT**

Relating to the Notes issued in bearer form by Belfius Financing Company  
SA (hereafter the “Bearer Notes”)

under the

**BELFIUS FINANCING COMPANY SA**

**AND**

**BELFIUS BANK SA/NV**

**NOTES ISSUANCE PROGRAMME**

25 September 2018

**This Agency Agreement** (the “**Agreement**”) is made as of 25 September 2018 and amends and restates the Agency Agreement dated 15 January 2008 as modified from time to time **BETWEEN**:

- (1) **Belfius Financing Company, SA** with Its Registered Office is located at 20, rue de l'Industrie, L-8399 Koerich, Grand Duchy of Luxembourg (“**Belfius Financing Company**”, the “**Issuer**”);
- (2) **Belfius Bank SA/NV**, with its registered office at Place Charles Rogier 11, B-1210 Brussels, Belgium (“**Belfius Bank**” in its capacity as guarantor of the Notes the “**Guarantor**”, in its capacity as paying agent, the “**Paying Agent**” and its capacity as calculation agent, the “**Calculation Agent**” in the case of Notes issued by Belfius Financing Company under the Notes Issuance Programme); and
- (3) **BANQUE INTERNATIONALE A LUXEMBOURG, SOCIETE ANONYME** with its register office at 69, route d’Esch, L-2953, Luxembourg, Grand Duchy of Luxembourg (“**BIL**”, in its capacity as fiscal agent the “**Fiscal Agent**” and its capacity as principal paying agent the “**Principal Paying Agent**”).

## **WHEREAS**

- (A) Belfius Financing Company, in accordance with the resolutions of the Board of Directors of Belfius Financing Company, passed on 11 September 2018, may from time to time issue Bearer Notes (the “**Belfius Financing Company Notes**”) under the Notes Issuance Programme to be dated on or around 26 September 2018 (the “**Programme**”), which may be linked to various underlyings (the “**Underlying**”), that rank as senior obligations of the Issuer (the “**Notes**”). The Notes will be guaranteed by the Guarantor pursuant to a senior guarantee (the “**Guarantee**”) in accordance with the resolutions of the Management Board of the Guarantor passed on 27 June 2018.
- (B) The Programme is described in the prospectus (the “**Prospectus**”) dated 25 September 2018 that replaces and supersedes, as of such date, the Prospectus dated 26 September 2017.
- (C) For the purposes of the Programme the parties (or their predecessors) to this Agency Agreement entered into an agency agreement dated 15 January 2008 (the “**Original Agency Agreement**”) to be amended, restated and superseded by this Agency Agreement.
- (D) Any Bearer Notes issued on or after the date of this Agency Agreement shall be issued under the Programme pursuant to this Agency Agreement. The amendments to the Original Agency Agreement made by this Agency Agreement shall not apply in respect of any further Belfius Financing Company Notes issued pursuant to the Original Agency Agreement on or after the date hereof that are consolidated and form a single series with any Notes issued prior to the date hereof.

## **IT HAS BEEN AGREED AS FOLLOWS:**

### **Article 1**

The Issuer hereby warrants as follows:

- (i) That it is duly incorporated and validly existing under the laws of its country of incorporation and that it has corporate power and authority to conduct its business and to execute, deliver and comply with the provisions of this Agreement and the Notes, as the case may be;
- (ii) that all necessary consents, authorizations, notifications, registrations and filings have been obtained or made (and are in full force and effect) in connection with the compliance by the Issuer with the respective terms of this Agreement and the Notes including all payments to be made by the Issuer thereunder or in connection therewith;
- (iii) that this Agreement constitutes, and upon due execution, issue and/or delivery as aforesaid the Notes will constitute, valid and legally binding obligations of the Issuer in accordance with their respective terms;
- (iv) that the prospectus for the Programme (the “**Prospectus**”) is accurate in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;
- (v) that the financial statements and other financial information in the Programme present fairly its financial position and since the date of the most recent financial statements therein contained there has

been no material adverse change, financial or otherwise in the condition, general affairs, results of operation or prospects other than as referred to in the Prospectus;

- (vi) that no events exist which, had any Notes been issued, would (or, with the giving of notice or lapse of time or both, could) constitute an event of default under the Notes;
- (vii) that no litigation, arbitration or administrative proceedings are presently current or pending or, to the knowledge of the Issuer threatening which would or might have a material adverse effect on the Issuer or on the ability of the Issuer to perform its obligations under this Agreement and the Notes;
- (viii) that under presently applicable rules, all payments to be made by the Issuer under this Agreement and the Notes are exempt from any taxes, by way of deduction or withholding, and the Issuer is not required by law to make any deduction or withholding therefrom;
- (ix) that the Issuer will pay all and any stamp and other similar taxes and duties payable in its country of incorporation in connection with the authorization, execution and delivery of the Notes, the initial delivery of the Notes and the execution and delivery of this Agreement.

## **Article 2**

The Bearer Notes are issued in bearer form in the Denominations specified in the relevant Final Terms. They will be represented by a Permanent Global Note, deposited with BIL as common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream Luxembourg**”) and will not be exchangeable for definitive notes.

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

## **Article 3**

The Issuer appoints BIL as Principal Paying Agent and Fiscal Agent and Belfius Bank as Calculation Agent and Paying Agent (together referred to as the “**Agents**”) in respect of any Tranche of Bearer Notes issued under the Programme upon the terms and subject to the conditions herein set forth, unless otherwise specified in the relevant Final Terms.

## **Article 4**

The Issuer or the Guarantor authorises and directs the Fiscal Agent, from the funds provided to it, to make payments of principal and interest on the Bearer Notes on the relevant due dates.

(1) The Issuer will, before 10.00 a.m. (Central European Time), on each date on which any payment in respect of any Bearer Notes becomes due under the Conditions, transfer to an account specified by the Fiscal and Principal Paying Agent from time to time such amount in the relevant currency as shall be sufficient for the purposes of such payment in funds settled through such payment system as the Fiscal and Principal Paying Agent and the Issuer may from time to time agree.

(2) Any funds paid by or by arrangement with the Issuer to the Fiscal and Principal Paying Agent pursuant to subclause (1) shall be held by the relevant Agent for payment to the Noteholders, until any payments under the Bearer Notes become prescribed under the Conditions.

(3) The Issuer will ensure that no later than 10.00 a.m. (Central European Time) on the second Business Day (as defined below) immediately preceding the date on which any payment is to be made to the relevant Agent pursuant to subclause (1), the Fiscal and Principal Paying Agent shall receive an irrevocable payment confirmation by authenticated SWIFT from the paying bank of the Issuer. For the purposes of this subclause, “**Business Day**” means any day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open and any other day so specified in the relevant Final Terms.

(4) The Fiscal and Principal Paying Agent shall notify by facsimile or by e-mail the Issuer forthwith:

- (a) if it has not by the relevant date specified in subclause (1) received unconditionally the full amount in the Specified Currency required for the payment; and
- (b) if it received unconditionally the full amount of any sum payable in respect of the Bearer Notes after such date.

(5) If for any reason the Fiscal and Principal Paying Agent considers in its sole discretion that the amounts to be received by it pursuant to subclause (1) will be, or the amounts actually received by it pursuant thereto are, insufficient to satisfy all claims in respect of all payments then falling due in respect of the Bearer Notes, the

Agents shall not be obliged to pay any such claims until the Fiscal and Principal Paying Agent have received the full amount of all such payments.

(6) Without prejudice to subclause (5), if the Fiscal and Principal Paying Agent pays any amounts to the holders of Bearer Notes or to any other Paying Agent at a time when it has not received payment in full in respect of the relevant Bearer Notes in accordance with subclause (1) (the excess of the amounts so paid over the amount so received being the “**Shortfall**”), the Issuer will, in addition to paying amounts due under subclause (1), pay to the Fiscal and Principal Paying Agent on demand interest (at a rate which represents the Fiscal and Principal Paying Agent’s cost of funding the Shortfall) on the Shortfall (or the unreimbursed portion thereof) until receipt in full by the Fiscal and Principal Paying Agent of the Shortfall.

(7) The Fiscal and Principal Paying Agent shall on demand promptly reimburse each other Paying Agent for payments in respect of Bearer Notes properly made by such Paying Agent in accordance with this Agreement and the Conditions unless the relevant Agent has notified the relevant Paying Agent that the Fiscal and Principal Paying Agent does not expect to receive on the due date of a payment in respect of the Bearer Notes sufficient funds to make payment of all amounts falling due in respect of such Bearer Notes.

(8) Whilst any Bearer Notes are represented by a Permanent Global Note, all payments due in respect of such Notes shall be made to, or to the order of, the holder of the Permanent Global Note, subject to and in accordance with the provisions of the Permanent Global Note. On the occasion of any such payment, the Paying Agent to which any Permanent Global Note was presented for the purpose of making such payment shall cause the appropriate Schedule to the relevant Permanent Global Note to be annotated in order to evidence the amounts and dates of such payments of principal and/or interest as applicable.

(9) If the amount or principal and/or interest then due for payment is not paid in full (otherwise than by reason of a deduction required by law to be made therefrom or a certification required by the terms of a Note not being received), the Paying Agent to which a Note is presented for the purpose of making such payment shall make a record of such shortfall on the relevant Note and such record shall, in the absence of manifest error, be *prima facie* evidence that the payment in question has not to that extent been made.

## **Article 5**

The Calculation Agent shall in respect of the Notes:

- (a) obtain such quotes and rates and/or make such determinations, calculations, adjustments, notifications and publications as may be required to be made by it by the chapter Terms and Conditions of the Notes in the Prospectus (the “**Terms and Conditions**”) at the times and otherwise in accordance with the Terms and Conditions;
- (b) maintain a record of all quotations obtained by it and of all amounts, rates and other items determined or calculated by it and make such record available for inspection at all reasonable times by the Issuer, the Guarantor and the Paying Agents;
- (c) promptly notify (and confirm in writing to) the Issuer, the other Paying Agents of each Interest Amount, Interest Rate and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Conditions as soon as practicable after their determination and of any subsequent amendments to them under the Conditions; and
- (d) use its best endeavours to cause each Interest Amount, Interest Rate and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Conditions to be published as required in accordance with the Conditions as soon as possible after their determination or calculation.

## **Article 6**

The Issuer, or failing him, the Guarantor, will indemnify the Fiscal Agent against any loss, liability and reasonable expenses which may be incurred by it by reason of, or in connection with the exercise of its duties as Fiscal Agent, except such as may result from the Fiscal Agent's own negligence or wilful misconduct. The Fiscal Agent shall not be liable to pay interest on any moneys deposited with it by the Issuer and/or the Guarantor for the purpose of its functions as Fiscal Agent.

The indemnities contained in this Article 6 shall survive the termination or expiry of this Agreement.

## **Article 7**

The Issuer, failing whom the Guarantor, shall pay the fees and expenses in respect of the Agents’ services in relation to any Tranche of Notes to the Fiscal Agent as separately agreed with the Fiscal Agent.



The Issuer will also reimburse the Fiscal Agent all reasonable out-of-pocket expenses (including, inter alia, publication, cable and telex costs and postage) incurred by it in connection with the services rendered hereunder, upon its written request.

The Fiscal Agent shall be responsible for the remuneration of the Agents and for the reimbursement of the expenses incurred by them.

### **Article 8**

(1) Each Agent shall be entitled to deal with money paid to it by the Issuer for the purpose of this Agreement in the same manner as other money paid to a banker by its customers except:

(a) that it shall not exercise any right of set-off, lien or similar claim in respect thereof except in the case of money due to the Issuer, and any amounts that are due but unpaid or are to be reimbursed by the Issuer under this Agreement; and

(b) that it shall not be liable to account to the Issuer for any interest thereon.

No monies held by any Agent need be segregated except as required by law.

(2) In acting hereunder and in connection with the Bearer Notes, each Agent shall act solely as an agent of the Issuer and will not thereby assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Bearer Notes.

(3) Each Agent hereby undertakes to the Issuer to perform such obligations and duties, and shall be obliged to perform such duties and only such duties, as are herein specified and in the Conditions, and no implied duties or obligations shall be read into any such document against any Agent, other than the duty to act honestly and in good faith and to exercise the diligence of a reasonably prudent agent in comparable circumstances.

(4) The Fiscal and Principal Paying Agent may consult with legal and other professional advisers and the opinion of such advisers shall be full and complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.

(5) Each Agent may rely upon and shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer or any notice, resolution, direction, consent, certificate, affidavit, statement, cable, facsimile, telex or other paper or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the Issuer.

(6) Any Agent and its officers, directors and employees may become the owner of and/or acquire any interest in, any Notes with the same rights that it or they would have had if the Paying Agent concerned were not appointed hereunder, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depositary, trustee or agent for, any committee or body of holders of Notes or in connection with any other obligations of the Issuer as freely as if the Agent were not appointed hereunder.

(7) The Issuer shall provide the Fiscal and Principal Paying Agent with a certified copy of the list of persons authorised to execute documents and take action on its behalf in connection with this Agreement and shall notify the Fiscal and Principal Paying Agent immediately in writing if any of such persons ceases to be so authorised or if any additional person becomes so authorised together, in the case of any additional authorised person, with evidence satisfactory to the Agent that such person has been so authorised.

(8) Except as ordered by a court of competent jurisdiction or as required by law or applicable regulations, the Issuer and each of the Agents shall be entitled to treat the bearer of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof).

### **Article 9**

This Agreement may be amended by the parties hereto without the consent of the Noteholders, for the purpose of curing any ambiguity or in any manner which the parties may mutually deem necessary or desirable.

### **Article 10**

The Issuer agrees that there shall at all times be a Fiscal Agent, until all the Notes shall have been redeemed and/or purchased and cancelled or shall have become void under the provisions of the prescription clause in the Terms and Conditions.

Each of the Agents may be removed at any time by the filing with it of at least 90 days written notice to that effect signed by or on behalf of the Issuer, specifying the date on which such removal shall become effective, and each of the Agents may at any time resign by giving at least 90 days written notice (unless the Issuer agrees to accept less notice) to that effect to the Issuer, specifying the date on which such resignation shall become effective, provided however that no such notice shall take effect less than 45 days prior to and 45 days after a payment date under the Notes in any year and that no such resignation or removal shall take effect until a new Fiscal Agent, Principal Paying Agent, Paying Agent or Calculation Agent has been appointed by the Issuer and such appointment has been accepted by the Issuer. Upon its removal or resignation becoming effective, the successor Fiscal Agent shall be entitled to receive all funds and documents on deposit with or held by its predecessor as Fiscal Agent.

### **Article 11**

The Issuer and the Guarantor undertake to deliver to the Principal Paying Agent during the term of the Notes, upon its request, copies of its annual report and interim report, if any.

### **Article 12**

The Issuer and the Guarantor may at any time convene a meeting of Noteholders. The provisions for convening a meeting of Noteholders are detailed in the Programme.

### **Article 13**

Any notice hereunder shall be addressed

if to Belfius Financing Company:

to: Belfius Financing Company SA  
20 rue de l'Industrie  
L-8399 Koerich  
Grand Duchy of Luxembourg  
Attn.: Laurent Lassine  
Fax: +352 27 32 95 20  
Tel: +352 27 32 95 1  
mailto: cp@belfius-fc.lu

if to Belfius Bank:

to: Belfius Bank SA/NV  
Place Charles Rogier 11  
B-1210 Bruxelles  
Belgium  
P/A RT 06/22  
Attn : Financial Markets Transaction Services  
Fax : +32 2 285 10 87  
Phone : + 32 2 222 14 80  
Swift : GKCCBEBB  
mailto : CMcustodymgt@belfius.be

if to BIL:

to: Banque Internationale à Luxembourg, société anonyme  
69, route d'Esch  
L-2953 Luxembourg  
Grand Duchy of Luxembourg  
Corporate Trust Department  
Phone : +352 4590 3388  
Fax : +352 4590 3473  
Swift : BILLLULL  
mailto : paying.agency@bil.com

All such notices shall be sent by registered mail. Such notices shall be effective upon receipt of the registered mail.

### **Article 14**

(1) No Paying Agent shall be responsible or accountable to anyone with respect to the validity of this

Agreement or the Notes or for any act or omission by it in connection with this Agreement or any Note except for its own gross negligence, wilful default or bad faith, including that of its officers, directors and employees.

(2) No Paying Agent shall have any duty or responsibility in case of any default by the Issuer in the performance of its obligations under the Terms and Conditions or, in the case of receipt of a written demand from a Noteholder, with respect to such default, provided however that forthwith upon receipt by the Agent of a notice given by a Noteholder in accordance with Condition "*Events of Default*", the Agent will notify the Issuer and the Guarantor thereof and furnish them with a copy of such notice.

Whenever in the performance of its duties under this Agreement a Paying Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Issuer prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an authorised officer of the Issuer and delivered to such Paying Agent and such certificate shall be full authorisation to such Paying Agent, in its capacity as such, for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

### **Article 15**

This Agreement is governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg. All disputes arising in connection herewith between the Issuer, the Guarantor, the Fiscal Agent, the Principal Paying Agent, the Calculation Agent shall be subject to the non-exclusive jurisdiction of the courts of Luxembourg.

THUS DONE AND SIGNED ON 25 September 2018

Belfius Financing Company SA.  
as Issuer

By:

Belfius Bank SA/NV  
as Guarantor of Notes issued by Belfius Financing Company S.A, Paying Agent and  
Calculation Agent

By:

BANQUE INTERNATIONALE A LUXEMBOURG société anonyme  
as Fiscal Agent and Principal Paying Agent

By:

## ANNEX 1: TEMPLATE FOR PERMANENT GLOBAL NOTE

### BELFIUS FINANCING COMPANY SA

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

Issuer

### BELFIUS BANK SA/NV

(Incorporated with limited liability under the laws of Belgium)

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

**BANQUE INTERNATIONALE A LUXEMBOURG,**

**SOCIETE ANONYME**

Fiscal Agent and Principal Paying Agent

## NOTES ISSUANCE PROGRAMME

EUR 20,000,000,000

# PERMANENT GLOBAL NOTE

Permanent Global Note Series No: [●]

Nominal Amount of the Tranche: [●]

ISIN Code of the Notes: [●]

This Permanent Global Note is issued in respect of the Bearer Notes (the “Notes”) of the Tranche(s) and Series specified in Part A of the Schedule hereto of Belfius Financing Company SA (the “Issuer”) and guaranteed by Belfius Bank SA/NV (the “Guarantor”) pursuant to the Guarantee dated 25 September 2018, as amended and supplemented from time to time.

### Interpretation and Definitions

References in this Permanent Global Note to the “Conditions” are to the Terms and Conditions of the Notes (which are in the form set out in Annex 2 to the Agency Agreement dated 25 September 2018 between Belfius Financing Company SA as the Issuer, Belfius Bank SA/NV as the Guarantor of Notes issued by Belfius Financing Company SA, Calculation Agent and Paying Agent and Banque Internationale à Luxembourg, société anonyme as the Fiscal Agent and Principal Paying Agent, as such form is supplemented and/or modified and/or superseded by the provisions of this Permanent Global Note (including the supplemental definitions and any modifications or additions set out in Part A of the Schedule hereto). Other capitalised terms used in this Permanent Global Note shall have the meanings given to them in the Conditions or in the Agency Agreement. No provisions of this Permanent Global Note shall alter or impair the obligation of the Issuer and the Guarantor to pay the principal of and interest on the Notes when due in accordance with the Conditions and the relevant Guarantee.

This Permanent Global Note shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Fiscal Agent.

This Permanent Global Note shall be governed by and construed in accordance with Belgian law.

**IN WITNESS** whereof the Issuer has caused this Permanent Global Note to be duly signed on its behalf.

[Dated as of the Issue Date]

**Belfius Financing Company SA**

By:

### CERTIFICATE OF AUTHENTICATION

This Permanent Global Note is authenticated by or on behalf of the Fiscal Agent.

**BANQUE INTERNATIONALE A LUXEMBOURG, société anonyme**

as Fiscal Agent

By:

Authorised Signatory

For the purposes of authentication only.

## **SCHEDULE: FINAL TERMS**

[Insert the relevant Final Terms that relate to the Permanent Global Note]

## **ANNEX 2: TERMS AND CONDITIONS**

See prospectus Section 9 TERMS AND CONDITIONS from page 77

# Annex 5: Reports Belfius Financing Company

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## **A. Audited consolidated accounts of Belfius Financing Company**

See annex

## **B. Unaudited interim accounts of Belfius Financing Company as at 30 June 2017**

See annex



**BELFIUS FINANCING COMPANY S.A.  
SOCIETE ANONYME**

**ANNUAL ACCOUNTS AND REPORT OF  
THE RÉVISEUR D'ENTREPRISES AGRÉÉ**

**AS AT DECEMBER 31, 2017**

20, rue de l'Industrie  
L-8399 Windhof  
R.C.S. Luxembourg: B 156767

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To the Sole Shareholder of  
Belfius Financing Company S.A.  
20, rue de l'industrie  
L-8399 Windhof

## REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

### Report on the Audit of the Annual accounts

#### Opinion

We have audited the annual accounts of Belfius Financing Company S.A. (the « Company »), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

#### Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Annual accounts" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Debt instruments issuances and bonds or loans investments:

Risk description:

Short-term and long-term debt issuances are presented under Creditors in the annual accounts. These issuances are backed up by bonds and loans recognised under Debtors and Investments in the annual accounts.

These transactions form the core activity of the Company and are the most material items of its financial position. In addition, these transactions contribute significantly to the net result of the Company due to the interest charges and interest income they generate. Therefore, we have considered the existence and the completeness of the balances of Creditors, Debtors and Investments and the accuracy of the related interest expenses and interest income as key audit matters for the purpose of our audit.

Audit responses:

We have assessed the design and implementation of key controls which the Company performs in relation to debt instrument issuance and bonds or loans investments. We have performed substantive testing on interest related to Creditors, Debtors and Investments.

We completed our audit procedures by obtaining and analysing external audit confirmations from banks and custodians in order to obtain sufficient audit assurance in relation to the existence and the completeness of respectively Creditors, Debtors and Investments as at 31 December 2017.

## Other information

The Board of directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regards.

## **Responsibilities of the Board of Directors and Those Charged with Governance for the Annual accounts**

*The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.*

*In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.*

## **Responsibilities of the « Réviseur d'Entreprises Agréé » for the Audit of the Annual accounts**

The objectives of our audit are to obtain a reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

## Report on Other Legal and Regulatory Requirements

We have been appointed as « Réviseur d'Entreprises Agréé » by the General Meeting of the Shareholders on 15 March 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

For Deloitte Audit, Cabinet de Révision Agréé

  
Jérôme Lecoq, Réviseur d'Entreprises Agréé  
*Partner*

Luxembourg, March 21, 2018

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**BALANCE SHEET**

As at December 31, 2017

(expressed in thousands of EUR)



## BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**BALANCE SHEET**

As at December 31, 2017

(expressed in thousands of EUR)

<u>ASSETS</u>	Notes	2017 EUR	2016 EUR
<b>SUBSCRIBED CAPITAL UNPAID</b>	6	<b>981</b>	<b>981</b>
Subscribed capital not called		981	981
<b>FORMATION EXPENSES</b>	3	<b>32</b>	<b>91</b>
<b>CURRENT ASSETS</b>		<b>9.868.679</b>	<b>10.630.238</b>
Debtors	4	323.805	528.503
<i>becoming due and payable within one year</i>		<i>21.324</i>	<i>85.091</i>
<i>becoming due and payable after more than one year</i>		<i>302.481</i>	<i>443.412</i>
Investments	5	9.542.157	10.097.672
Cash at bank and in hand		2.717	4.063
<b>PREPAYMENTS</b>		<b>5</b>	<b>5</b>
<b><u>TOTAL (ASSETS)</u></b>		<b><u>9.869.697</u></b>	<b><u>10.631.315</u></b>
 <b><u>CAPITAL, RESERVES AND LIABILITIES</u></b>			
<b>CAPITAL AND RESERVES</b>	6	<b>4.603</b>	<b>5.509</b>
Subscribed capital		3.094	3.094
Reserves		665	399
Profit brought forward		229	1.360
Profit for the financial year		615	656
<b>PROVISIONS</b>		<b>565</b>	<b>1.338</b>
<b>CREDITORS</b>	7	<b>9.864.433</b>	<b>10.624.391</b>
<i>becoming due and payable within one year</i>		<i>2.090.187</i>	<i>2.690.192</i>
<i>becoming due and payable after more than one year</i>		<i>7.774.246</i>	<i>7.934.199</i>
<b>DEFERRED INCOME</b>		<b>96</b>	<b>77</b>
<b><u>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</u></b>		<b><u>9.869.697</u></b>	<b><u>10.631.315</u></b>

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

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**PROFIT AND LOSS ACCOUNT**

For the year ended December 31, 2017

(expressed in thousands of EUR)

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**PROFIT AND LOSS ACCOUNT**

For the year ended December 31, 2017

(expressed in thousands of EUR)

	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>EUR</b>	<b>EUR</b>
<b>Staff costs</b>	12	<b>(266)</b>	<b>(244)</b>
Wages and salaries		(225)	(205)
Social security costs		(28)	(27)
<i>Relating to pensions</i>		<i>(18)</i>	<i>(17)</i>
<i>Other social security costs</i>		<i>(10)</i>	<i>(10)</i>
Other staff costs		(13)	(12)
<b>Value adjustments</b>	3	<b>(59)</b>	<b>(59)</b>
In respect of formation expenses		(59)	(59)
<b>Other operating expenses</b>	8	<b>(795)</b>	<b>(602)</b>
<b>Other interest receivable and similar income</b>	13	<b>184.193</b>	<b>223.916</b>
Derived from affiliated undertakings		184.190	223.911
Other interest and similar income		3	5
<b>Interest payable and similar expenses</b>		<b>(182.201)</b>	<b>(222.047)</b>
Other interest and similar expenses	9	(182.201)	(222.047)
<b>Tax on profit</b>		<b>(260)</b>	<b>(305)</b>
<b>PROFIT AFTER TAXATION</b>		<b>612</b>	<b>659</b>
<b>Other taxes</b>		<b>3</b>	<b>(3)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>615</b>	<b>656</b>

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

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**NOTES TO THE ACCOUNTS**

As at December 31, 2017

(expressed in thousands of EUR)

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 1 - GENERAL**

Belfius Financing Company S.A. (the "Company") is a wholly-owned subsidiary of Belfius Bank S.A./N.V..

Belfius Financing Company S.A. falls under the requirements of Luxembourg rules and regulations applicable to companies issuing debt securities having no voting rights on the regulated market of the Luxembourg Stock Exchange.

The current debt issuance programmes of the Company are:

*a) Long Term: Notes Issuance Programme (NIP)*

The limit of the Notes Issuance Programme amounts to EUR 20.000.000.000. The debt securities issued under this program are guaranteed by Belfius Bank S.A./N.V. and have a minimum maturity of one month (no maximum maturity). Notes may be issued on a preferred senior basis. The Notes are not listed and are governed by Belgian law and are mainly placed with retail investors.

*b) Short Term: Euro-Commercial Paper Programme (ECP)*

The Euro-Commercial Paper Programme amounts to maximum EUR 10.000.000.000. These debt securities issued under this programme are not listed and are guaranteed by Belfius Bank S.A./N.V. and have a minimum maturity of one day and a maximum maturity of 364 days.

The financial year of the Company runs from January 1 until December 31 of each year.

The Company is exempt from drawing up consolidated accounts in accordance with Article 309 of the commercial Law of August 10, 1915, as amended.

Its registered office is established in the municipality of Koerich, at 20, rue de l'Industrie, L-8399 Windhof, Grand-Duchy of Luxembourg.

The Company's annual accounts are included in the consolidated accounts of Belfius Bank S.A./N.V., incorporated under the Law of Belgium. These can be obtained from Belfius Bank S.A./N.V., Boulevard Pachéco 44, B-1000 Brussels, Belgium.

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General principles**

These annual accounts are prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

As at December 31, 2017 the annual accounts are presented under abridged format.

Translation of currencies

The Company maintains its accounting records in euro (EUR) and the annual accounts are prepared in this currency.

Assets and liabilities denominated in currencies other than EUR are translated at rates of exchange applicable at the balance sheet date. Transactions denominated in other currencies are translated at the approximate rates applicable at the time of the transactions. Exchange gains and losses are credited or charged to the profit and loss account. This, as well, applies to all current assets and liabilities considering the intrinsic economic link between these positions.

Formation expenses and similar expenses

The formation expenses and similar expenses are amortized linearly on a period of 5 years.

Similar expenses include debt issuance costs.

Debtors

Loans defined as debtors are stated in the balance sheet at their acquisition value. The carrying value of the loans includes the interest accrued. Incidental costs related to new loans are expensed in the financial year in which they are incurred.

Others debtors and receivables are stated at nominal value which includes interest which are due or accrued.

Value adjustments are made in respect of debtors in case of durable depreciation in value according to the opinion of the Board of Directors.

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

Bonds are stated in the balance sheet at their acquisition value determined according to the principle of the individualized price or the average acquisition price. Incidental costs related are expensed in the financial period in which they are incurred.

The carrying value of the bonds includes the interest accrued.

The bonds do not expose the Company to market risk and therefore, value adjustments are made in respect of these investments in case of durable depreciation in value according to the opinion of the Board of Directors.

Provisions

At the end of each period provisions are recorded to cover all foreseeable liabilities and charges.

Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

Creditors

Amounts payable represented by promissory notes are stated at their net proceeds corresponding to the repayment value. The carrying value includes the interests which are due or accrued.

Amounts payable represented by promissory notes for which the repayment value differs from the issue price are stated at their reimbursement value considering the application of the following rule: the positive difference (premium) or negative (discount) between the issue price and the reimbursement price is amortized over the period between issue date and maturity date.

Other interest receivable and similar income

Other interest receivable and similar income are recognised on the accrual basis.

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Interest payable and similar expenses

Interest payable and similar expenses are recognised on the accrual basis.

Taxes

Taxes are accounted on an accrual basis.

**NOTE 3 - FORMATION EXPENSES**

The caption includes costs in relation with the ECP and NIP programmes which have been activated in 2013 and 2014 respectively. They are amortized on a period of five years straight line.

	<b>Cost</b>	<b>Amortization</b>	<b>Net book value</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Costs activated in relation to the ECP	195	190	5
Costs activated in relation to the NIP	99	72	27
	<u><b>294</b></u>	<u><b>262</b></u>	<u><b>32</b></u>

**NOTE 4 - DEBTORS**

As at December 31, 2017, debtors consist mainly of loans to Belfius Bank S.A./N.V. which are repayable at nominal value. Reference is made to note 13 in relation to the interest income from debtors amounts owed by affiliated undertakings.



**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 4 - DEBTORS (CONTINUED)**

The carrying value of the debtors includes the carrying value of the loans and the related accrued interest, as follows:

	<b>2017</b>	<b>2016</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	21.324	85.091
After one year and within five years	26.358	136.441
More than five years	276.123	306.971
<b>TOTAL</b>	<b>323.805</b>	<b>528.503</b>

The movements on debtors between December 31, 2016 and December 31, 2017 are attributable to loans reimbursements and to the conversion of some loans into bonds, now classified as "Investments".

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the debtors.

**NOTE 5 - INVESTMENTS**

As at December 31, 2017, investments consist of bonds issued by Belfius Bank S.A./N.V. which are repayable at nominal value.

The carrying value of the investments includes the related accrued interest and is as follows:

	<b>2017</b>	<b>2016</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	2.069.388	2.605.810
After one year and within five years	5.132.116	4.976.528
More than five years	2.340.653	2.515.334
<b>TOTAL</b>	<b>9.542.157</b>	<b>10.097.672</b>

In the opinion of the Board of Directors, no durable depreciations exist to justify a value adjustment on the bonds.

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 6 - CAPITAL AND RESERVES**

The movements in capital and reserves during the year were as follows:

	<b>Subscribed capital</b>	<b>Legal reserve</b>	<b>Other reserves</b>	<b>Results brought forward</b>	<b>Profit for the financial year</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance as at January 1, 2017	3.094	179	220	1.360	656
Allocation of prior year result	0	32	234	389	(656)
Dividend paid	0	0	0	(1.520)	0
Result for the year	0	0	0	0	615
<b>Balance as at December 31, 2017</b>	<b>3.094</b>	<b>211</b>	<b>454</b>	<b>229</b>	<b>615</b>

**Subscribed capital and results brought forward**

As at December 31, 2017, the share capital of the Company amounts to EUR 3.094.004, fully subscribed and paid up to the extend of the aggregate amount of EUR 2.113.004, represented by 251 shares without par value, held by its Sole Shareholder, Belfius Bank S.A./N.V..

**Legal reserve**

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net gain for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the Sole Shareholder.

**Other reserves**

For the year ended December 31, 2017, the Company reduced its wealth tax liability in accordance with tax legislation by setting up a special reserve (classified under "reserves") in an amount equal to five times the amount of the payable wealth tax.

This reserve shall be maintained during the period of five years from the year following that during which the wealth tax was reduced.

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 7 - CREDITORS**

As at December 31, 2017, creditors are composed of long-term debts in relation with the NIP programme and of short-term debts in relation with the ECP programme fully and irrevocably guaranteed by Belfius Bank S.A./N.V.. Reference is made to note 9 in relation to the interest payable and similar expenses

The creditors, due and payable within one year, include also the trade creditors and tax and social security debts for a total amount of EUR 101.958 (2016: EUR 79.629).

The carrying value of creditors includes the related accrued interest, as follows:

	<b>2017</b>	<b>2016</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Within one year	2.090.187	2.690.192
After one year and within five years	5.157.699	5.111.948
More than five years	2.616.547	2.822.251
<b>TOTAL</b>	<b><u>9.864.433</u></b>	<b><u>10.624.391</u></b>

The movements on debts occurred during the year ended December 31, 2017 are attributable to new issues made under the ECP and NIP programmes net of repayments during the year.

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 8 - OTHER OPERATING EXPENSES**

Other operating expenses are composed as follows:

	<b>2017</b>	<b>2016</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Occupancy fees	25	25
Service providers		
Accounting / administrative fees	356	296
Technology & system fees	126	30
Legal & tax fees	87	61
External statutory audit fees	33	32
Rating agencies fees	102	100
Professional associations costs	18	22
Training fees	2	3
Directors fees	20	10
Bank fees & assimilated	19	16
Other fees	7	7
<b>TOTAL</b>	<b>795</b>	<b>602</b>

**NOTE 9 - INTEREST PAYABLE AND SIMILAR EXPENSES**

Interest payable and similar expenses are composed as follows:

	<b>2017</b>	<b>2016</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Interest payable and similar expenses on notes payable ( <i>NIP programme</i> )	181.015	220.586
Interest payable and similar expenses on notes payable ( <i>ECP programme</i> )	827	437
Other financial & interest charges	338	1.024
Foreign exchange losses	21	0
<b>TOTAL</b>	<b>182.201</b>	<b>222.047</b>

**NOTES TO THE ACCOUNTS**

as at December 31, 2017

- continued -

**NOTE 10 - TAXATION**

The Company is subject to the common tax law applicable to Luxembourg commercial companies.

**NOTE 11 - EMOLUMENTS, ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE ADMINISTRATIVE MANAGERIAL AND SUPERVISORY BODIES**

The Company granted a Director's fee of EUR 19.530 (2016: EUR 10.000) in total to the independent and external members of the Board of Directors for the services rendered during the year.

**NOTE 12 - EMPLOYEES**

The Company has employed 4 people during the financial year (2016: 3 people).

**NOTE 13 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

Interest and similar income are composed as follows:

	2017	2016
	EUR '000	EUR '000
Interest income and similar income concerning affiliated undertakings (bonds in relation with ECP programme)	1.215	812
Interest income and similar income concerning affiliated undertakings (loans and bonds in relation with NIP programme)	182.962	223.094
Other financial income	16	5
Foreign exchange	0	5
<b>TOTAL</b>	<b>184.193</b>	<b>223.916</b>

**BELFIUS FINANCING COMPANY S.A.**  
**SOCIETE ANONYME**

**Unaudited interim accounts**

**On June 30<sup>th</sup>, 2018**

20, rue de l'Industrie  
L-8399 Windhof  
R.C.S. Luxembourg: B 156767

## **Unaudited interim accounts**

- Balance sheet on June 30<sup>th</sup>, 2018
- Profit and Loss account on June 30<sup>th</sup>, 2018
- Accounting policies

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**BALANCE SHEET**

As at June 30, 2018

(expressed in thousands of EUR)



Belfius Financing Company S.A.  
**BALANCE SHEET**  
as at June 30<sup>th</sup>, 2018  
(expressed in thousands of EUR)

<u>ASSETS</u>	<b>June 30, 2018 EUR</b>	<b>December 31, 2017 EUR</b>
<b>SUBSCRIBED CAPITAL UNPAID</b>	<b>981</b>	<b>981</b>
Subscribed capital not called	981	981
<b>FORMATION EXPENSES</b>	<b>16</b>	<b>32</b>
<b>CURRENT ASSETS</b>	<b>9.657.923</b>	<b>9.868.679</b>
Debtors	190.062	323.805
<i>becoming due and payable within one year</i>	623	21.324
<i>becoming due and payable after more than one year</i>	189.440	302.481
Investments	9.465.464	9.542.157
Cash at bank and in hand	2.396	2717
<b>PREPAYMENTS</b>	<b>18</b>	<b>5</b>
<b><u>TOTAL (ASSETS)</u></b>	<b><u>9.658.938</u></b>	<b><u>9.869.697</u></b>
<b><u>CAPITAL, RESERVES AND LIABILITIES</u></b>		
<b>CAPITAL AND RESERVES</b>	<b>4.307</b>	<b>4.603</b>
Subscribed capital	3.094	3.094
Reserves	771	665
Profit brought forward	37	229
Profit for the period / financial year	405	615
<b>PROVISIONS</b>	<b>725</b>	<b>565</b>
<b>CREDITORS</b>	<b>9.653.660</b>	<b>9.864.433</b>
<i>becoming due and payable within one year</i>	1.690.564	2.090.187
<i>becoming due and payable after more than one year</i>	7.963.096	7.774.246
<b>DEFERRED INCOME</b>	<b>246</b>	<b>96</b>
<b><u>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</u></b>	<b><u>9.658.938</u></b>	<b><u>9.869.697</u></b>

BELFIUS FINANCING COMPANY S.A.

Société Anonyme

**PROFIT AND LOSS ACCOUNT**

For the period ended June 30, 2018

(expressed in thousands of EUR)

Belfius Financing Company S.A.  
**PROFIT AND LOSS ACCOUNT**  
for the period ended June 30<sup>th</sup>, 2018  
(expressed in thousands of EUR)

	<b>June 30,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Staff costs</b>	<b>(146)</b>	<b>(266)</b>
Wages and salaries	(126)	(225)
Social security costs	(14)	(28)
<i>Relating to pensions</i>	(9)	(18)
<i>Other social security costs</i>	(5)	(10)
Other staff costs	(6)	(13)
<b>Value adjustments</b>	<b>(16)</b>	<b>(59)</b>
In respect of formation expenses	(16)	(59)
<b>Other operating expenses</b>	<b>(396)</b>	<b>(795)</b>
<b>Other interest receivable and similar income</b>	<b>87.102</b>	<b>184.193</b>
Derived from affiliated undertakings	87.099	184.190
Other interest and similar income	3	3
<b>Interest payable and similar expenses</b>	<b>(85.978)</b>	<b>(182.201)</b>
Other interest and similar expenses	(85.978)	(182.201)
<b>Tax on profit</b>	<b>(161)</b>	<b>(260)</b>
<b>PROFIT AFTER TAXATION</b>	<b>405</b>	<b>612</b>
<b>Other taxes</b>	<b>0</b>	<b>3</b>
<b>PROFIT FOR THE PERIOD / FINANCIAL YEAR</b>	<b>405</b>	<b>615</b>

## ***Accounting policies***

### General principles

These interim accounts are prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

### Translation of currencies

The Company maintains its accounting records in euro (EUR) and the annual accounts are prepared in this currency.

Assets and liabilities denominated in currencies other than EUR are translated at rates of exchange applicable at the balance sheet date. Transactions denominated in other currencies are translated at the approximate rates applicable at the time of the transactions. Exchange gains and losses are credited or charged to the profit and loss account. This, as well, applies to all current assets and liabilities considering the intrinsic economic link between these positions.

### Formation expenses and similar expenses

The formation expenses and similar expenses are amortized linearly on a period of 5 years. Similar expenses include debt issuance costs.

### Debtors

Loans defined as debtors are stated in the balance sheet at their acquisition value. The carrying value of the loans includes the interest accrued. Incidental costs related to new loans are expensed in the financial year in which they are incurred.

Others debtors and receivables are stated at nominal value which includes interest which are due or accrued.

Value adjustments are made in respect of debtors in case of durable depreciation in value according to the opinion of the Board of Directors.

### Investments

Bonds are stated in the balance sheet at their acquisition value determined according to the principle of the individualized price or the average acquisition price. Incidental costs related are expensed in the financial period in which they are incurred.

The carrying value of the bonds includes the interest accrued.

The bonds do not expose the Company to market risk and therefore, value adjustments are made in respect of these investments in case of durable depreciation in value according to the opinion of the Board of Directors.

### Provisions

At the end of each period provisions are recorded to cover all foreseeable liabilities and charges.

Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

### Creditors

Amounts payable represented by promissory notes are stated at their net proceeds corresponding to the repayment value. The carrying value includes the interests which are due or accrued.

Amounts payable represented by promissory notes for which the repayment value differs from the issue price are stated at their reimbursement value considering the application of the following rule: the positive difference (premium) or negative (discount) between the issue price and the reimbursement price is amortized over the period between issue date and maturity date.

Other interest receivable and similar income

Other interest receivable and similar income are recognised on the accrual basis.

Interest payable and similar expenses

Interest payable and similar expenses are recognised on the accrual basis.

Taxes

Taxes are accounted for on an accrual basis.

**REGISTERED OFFICE OF**

**Belfius Bank SA/NV**

Place Charles Rogier 11

B-1210 Brussels

Belgium

**REGISTERED OFFICE OF**

**Belfius Financing Company SA**

20 rue de l'Industrie

L-8399 Koerich

Grand Duchy of Luxembourg

**FISCAL AGENT, PRINCIPAL PAYING AGENT**

**Banque Internationale à Luxembourg, société anonyme**

69 route d'Esch

L-2953 Luxembourg

Grand Duchy of Luxembourg

**DOMICILIARY AGENT, PRINCIPAL PAYING AGENT, PAYING AGENT,  
CALCULATION AGENT, GUARANTOR**

**Belfius Bank SA/NV**

Place Charles Rogier 11

B- 1210 Brussels

Belgium

**AUDITORS**

**To Belfius Bank SA/NV**

**Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA**

Berkenlaan 8B

1831 Diegem

Belgium

**To Belfius Financing Company**

**Deloitte Audit Sàrl**

560, rue de Neudorf

L-2220 Luxembourg

Grand Duchy of Luxembourg