BELFIUS BANK SA/NV

(incorporated with limited liability in Belgium)

EUR 500,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities

This prospectus (the "**Prospectus**") constitutes a listing prospectus in relation to the issue of EUR 500,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities (the "**Securities**") by Belfius Bank SA/NV ("**Belfius Bank**" or the "**Issuer**").

The issue price of the Securities is 100 per cent. of their principal amount.

The Securities will, subject to an interest cancellation as described below, bear interest on their Prevailing Principal Amount (as defined in Condition 17 (*Definitions*)) on a non-cumulative basis. Interest will be payable semi-annually in arrear on 16 April and 16 October of each year (each an "**Interest Payment Date**") from (and including) 1 February 2018 (the "**Issue Date**") to (but excluding) 16 April 2025 (the "**First Call Date**") at a fixed rate of 3.625 per cent. per annum. The first payment of interest will be made on 16 April 2018 in respect of the period from (and including) the Issue Date to (but excluding) 16 April 2018 (short coupon period). The rate of interest will reset on the First Call Date and each date which falls five, or a multiple of five, years after the First Call Date (each, a "**Reset Date**").

The Issuer may elect, at its sole discretion, to cancel (in whole or in part) the payment of interest on the Securities otherwise scheduled to be paid on an Interest Payment Date. Furthermore, interest shall be cancelled (in whole or, as the case may be, in part) if, and to the extent that (a) the payment of such interest, when aggregated with any interest payments or distributions which have been paid or made or which are required to be paid or made on other own funds items in the then current financial year (excluding any such interest payments or distributions which (A) are not required to be made out of Distributable Items (as defined in Condition 3.2 (*Interest cancellation*)) or (B) have already been provided for, by way of deduction, in the calculation of Distributable Items, would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded; (b) the payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (as defined in the Conditions) (transposing Article 141(2) of the Capital Requirements Directive (as defined in the Conditions)), the Maximum Distributable Amount (as defined in Condition 3.2 (*Interest cancellation*)) (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded; or (c) the Competent Authority (as defined in Condition 17 (*Definitions*)) orders the Issuer to cancel the payment of interest. Any interest that has been cancelled is no longer payable by the Issuer or considered accrued or owed to the holders of Securities (the "**Securityholders**"). Securityholders shall have no right thereto whether in a bankruptcy (*failissement/faillite*) or dissolution, as a result of the insolvency of the Issuer or otherwise. See Condition 3.2 (*Interest cancellation*) in "*Terms and Conditions of the Securities*".

The Prevailing Principal Amount (as defined in the Conditions) of the Securities will be written down if, at any time, either the Solo CET1 Ratio or Consolidated CET1 Ratio (each as defined in the Conditions) falls below or remains below 5.125 per cent. Securityholders may lose some or substantially all of their investment in the Securities as a result of such a write-down. Following such reduction, the Prevailing Principal Amount may, at the Issuer's discretion, be written-up to the Original Principal Amount (as defined in Condition 17 (*Definitions*)) if certain conditions are met. See Condition 7 (*Principal Write-Down and Principal Write-Up*) in "*Terms and Conditions of the Securities*".

The Securities will constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer, ranking *pari passu* among themselves without any preference. The Securities shall rank (a) subject to any obligations which are mandatorily preferred by law, junior to the claims of all unsubordinated creditors; (b) junior to the rights and claims of holders of all subordinated indebtedness of the Issuer (including Tier 2 Capital Instruments (as defined in the Conditions)) other than: (i) any Junior Obligations (as defined in the Conditions), and (ii) any Parity Securities (as defined in the Conditions); (c) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities; and (d) senior only to the rights and claims of holders of any class of shares of the Issuer and any obligation that ranks, or is expressed to rank, junior to the Issuer's obligations under the Securities. See Condition 2 (*Status of the Securities*) in "*Terms and Conditions of the Securities*".

The Securities have no fixed maturity and Securityholders do not have the right to call for their redemption. As a result, the Issuer is not required to make any payment of the principal amount of the Securities at any time prior to its winding-up. The Issuer may, at its option, redeem the Securities on the First Call Date and every Interest Payment Date thereafter (each, an "**Issuer Call Date**") in whole, but not in part, at their Prevailing Principal Amount, together with any accrued but unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date of redemption. The Issuer may not redeem the Securities on any Issuer Call Date if the Prevailing Principal Amount of the Securities is lower than the Original Principal Amount at such time. The Issuer may also, at its option, redeem the Securities in whole, but not in part, at their Prevailing Principal Amount, together with any accrued but unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to (but excluding) the date of redemption, upon the occurrence of a Tax Gross Up Event, a Tax Deductibility Event or a Regulatory Event (each as defined in Condition 5 (*Redemption and purchase*)). See Condition 5 (*Redemption and purchase*) in "*Terms and Conditions of the Securities*".

Amounts payable under the Securities are calculated by reference to the mid-swap rate for euro swaps with a term of 5 years which appears on the Reuters screen "ICESWAP2" as of 11:00 a.m. (Central European time) on such Mid-Swap Rate Determination Date (as defined in the Conditions) which is provided by ICE Benchmark Administration or by reference to EURIBOR, which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration and the European Money Markets Institute do not appear on 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 (Regulation (EU) 2016/1011). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that ICE Benchmark Administration and the European Money Markets Institute are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

An investment in Securities involves certain risks. For a discussion of these risks see "*Risk factors*". Investors should review and consider these risk factors carefully before purchasing any Securities. In particular, investors should review and consider the risk factors relating to a write-down and the impact this may have on their investment. This Prospectus does not necessarily describe all the risks linked to an investment in the Securities and additional risk and uncertainties, including those of which the Issuer is not currently aware or deems immaterial, may also potentially have an adverse effect on the Issuer's business, financial condition, results of operations, or future prospects or may result in other events that could cause investors to lose all or part of their investment. Prospective investors should carefully consider the risks set forth in this Prospectus and reach their own views prior to making any investment decision and consult their professional advisers.

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

The Securities are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, retail clients in the European Economic Area, as defined in the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("MiFID II"), or in Belgium to "consumers"(*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*) dated 28 February 2013, as amended from time to time (the "Belgian Code of Economic Law"). Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors" on page 5 of this Prospectus for further information.

Prospectus dated 30 January 2018.

The Securities will be issued in minimum denominations of EUR 200,000 and integral multiples thereof. The Securities will be issued in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code and will be represented by a book-entry in the records of the settlement system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**NBB-SSS**"). The Securities will only be placed with investors holding an exempt securities account ("**X-Account**") that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS. The Securities and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, English law (except for Conditions 1 (*Form, denomination and title*), 2 (*Status of the Securities*) and 12 (*Meeting of holders and modifications*) and any non-contractual obligations arising therefrom or in connection therewith, which shall be governed by Belgian law).

The Securities have been or are expected to be rated BB by Standard & Poor's Credit Market Services France SAS ("**Standard & Poor's**") and Ba2 by Moody's France SAS ("**Moody's**"). **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.** Each of Standard & Poor's and Moody's is established in the European Union and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies, as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the ESMA website.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any U.S. State securities laws and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Joint Bookrunners and Joint Lead Managers

Belfius Bank	**BoFA Merrill Lynch**	**Citigroup**
J.P. Morgan	**Nomura**	**UBS Investment Bank**

Prospectus dated 30 January 2018.

IMPORTANT INFORMATION

GENERAL

This Prospectus comprises a prospectus in respect of the Securities issued for the purposes of Article 5.3 of the Prospectus Directive. This Prospectus has been prepared on the basis of Annexes IX and XIII to Commission Regulation (EC) 809/2004.

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

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

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

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

To the fullest extent permitted by law, no Joint Lead Manager accepts any responsibility for the contents of this Prospectus, and no Joint Lead Manager accepts any responsibility for any statement made, or purported to be made, by any other Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Securities. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

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

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

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

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

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

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

This Prospectus has been approved for the purposes of the listing and admission to trading of the Securities on the regulated market of Euronext Brussels and does not constitute an offer to sell or the solicitation of an offer to buy the Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offer or sale of the Securities may be restricted by law in certain jurisdictions. Neither the Issuer nor the Joint Lead Managers represent that this Prospectus may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus or the Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Securities. For a description of certain restrictions on offers and sales of the Securities and on distribution of this Prospectus, see *"Subscription and Sale"*.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act).

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

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

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

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

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

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Securities may only be held by, and may only be transferred to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 holding their Securities in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS operated by the NBB.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions (including the United Kingdom and Belgium), regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in June 2015, the United Kingdom Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as

amended) ("**MiFID II**") was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Securities.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein), including the Regulations.

Each of the Joint Lead Managers is required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or any of the Joint Lead Managers, each prospective investor will thereby represent, warrant, agree with and undertake to the Issuer and each of the Joint Lead Managers that:

(i) it is not a retail client (as defined in 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/EC (recast) ("**MiFID II**"));

(ii) whether or not it is subject to the Regulations, it will not:

  (a) sell or offer the Securities (or any beneficial interest therein) to retail clients (as defined in MiFID II); or

  (b) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to, or disseminated in such a way that it is likely to be received by, a retail client (as defined in MiFID II). In selling or offering Securities or making or approving communications relating to the Securities, it may not rely on the limited exemptions set out in the PI Instrument; and

(iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

The Securities are not intended to be offered, sold to or otherwise made available to, and should not be offered, sold or otherwise made available in, Belgium to "consumers" (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*) dated 28 February 2013, as amended from time to time (the "**Belgian Code of Economic Law**").

By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Joint Lead Managers that:

(i) it is not a "consumer" within the territory of Belgium (as defined in the Belgian Code of Economic Law);

(ii) it will not sell, offer or otherwise make the Securities available to "consumers" within the territory of Belgium; and

(iii) it will at all times comply with the applicable laws and regulations relating to the offering of investment instruments (such as the Securities) to "consumers" within the territory of Belgium, including (without limitation) the provisions of the Belgian Code of Economic Law.

Each potential investor should inform itself of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein).

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or any of the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding on both the agent and its underlying client(s).

Prohibition of sales to EEA retail investors – The Securities are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

STABILISATION

In connection with the issue of the Securities, J.P. Morgan Securities plc (the "**Stabilisation Manager**") may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. Stabilisation may, however, not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager, in accordance with all applicable laws and rules.

CURRENCIES

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "**euro**", "**EUR**" and "**€**" are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Union, as amended, and to "**U.S.$**" or "**USD**" are to the lawful currency of the United States.

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RISK FACTORS

An investment in the Securities involves a degree of risk.

The Securities are being offered to professional investors only and are not suitable for retail investors.

The risks described below are risks which the Issuer believes may have a material adverse effect on the Issuer's business, financial condition, results of operations, future prospects and the value of the Securities or the Issuer's ability to fulfil its obligations under the Securities. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of all or any of such contingencies occurring. Additional risk and uncertainties, including those of which the Issuer is not currently aware or deems immaterial, may also potentially have an adverse effect on the Issuer's business, financial condition, results of operations, or future prospects or may result in other events that could cause investors to lose all or part of their investment.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Securities are also described below.

The Issuer believes that the factors described below represent the principal known risks inherent in investing in the Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Securities may occur for other reasons which are not known to the Issuer or which the Issuer deems immaterial at this time.

Prospective investors should carefully consider the risks set forth below and read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated in it by reference) and reach their own views prior to making any investment decision and consult their professional advisers. The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential impact on Belfius Bank's business, financial condition, results of operations and prospects, or the market price of the Securities.

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

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

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

Risks related to the business of banks in general, including Belfius Bank

1. Credit risk

General credit risks are inherent in a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of its borrowers and counterparties and the inability to recover 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 Maximum Credit Risk Exposure ("**MCRE**"), 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 harmonization 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. 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 standardized 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 solvency, the customer relationship, the customer's prospects, the credit application and the guarantees. In the analysis process, credit applications are carefully examined and only accepted if 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. 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 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.

2. Market risk

The businesses and earnings of Belfius Bank and of its individual business segments are affected by market conditions. Market risk can be understood as the potential adverse change in the value of a portfolio of financial instruments due to movements in market price levels, to changes of the instrument's liquidity, to changes in volatility levels for market prices or to changes in the correlations between the levels of market prices.

Belfius Bank records several additional value adjustments which might vary significantly based on market evolutions of for example credit and basic risk.

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

Non-Financial Markets activities

Changes in the shape and level of interest rate curves impact the economic value of Belfius Bank's assets and liabilities. The persistence of exceptionally low interest rates for an extended period, or negative interest rates, could adversely impact Belfius Bank's earnings through the compression of its net interest margin, as assets are being repriced at lower costs and funding costs decline is limited by the legally binding minimum interest rate on savings. Low interest rates also caused early repayments and re-financings across Belfius Bank's mortgage book, with about 2/3 of the outstanding stock having been prepaid. Additional repayments could further have an adverse effect on net interest income. The accommodative monetary policies pursued by central banks may also lead to excessive inflationary pressures on relevant economies at some point or lead to further search for yield (and asset price increases). Furthermore, in the event of a sudden large increase or frequent increases in interest rates, Belfius Bank may not be able to respond to the market or re-price its assets and liabilities at the same time, giving rise to re-pricing gaps in the short term which can adversely affect its net interest margin. Belfius Bank's earnings are exposed to basis risk (i.e., an imperfect correlation in the adjustment of the rates earned and paid on different financial products, including derivatives, with otherwise similar re-pricing characteristics). Interest rates also affect the affordability of Belfius Bank's products to customers. A rise in interest rates, without sufficient improvements in customers' earnings levels, could lead to an increase in default rates among customers with variable rate obligations. This could in turn lead to increased cost of risk and lower profitability for Belfius Bank. An increase in interest rates would also result in a higher rate being used for purposes of discounting future cash flows from Belfius Bank's loan book, which would have the effect of increasing cost of risk and affect negatively Belfius Bank's value. A high interest rate environment may also reduce demand for mortgages and other loan products generally, as customers are less likely or less able to borrow at the same levels when interest rates are high as when interest rates are low.

In terms of credit spread risk, widening credit spreads could adversely impact the fair value of Belfius Bank's fixed income financial investments available for sale.

In addition, although Belfius Bank uses the euro as its reporting currency, a portion of its assets, liabilities, income and expenses are generated in other currencies. Changes in foreign exchange rates affect the value of assets, liabilities, income and expenses denominated in foreign currencies. Any

failure to manage interest rate risk or the other market risks to which Belfius Bank is exposed could have a material adverse effect on its business, financial condition, results of operations and prospects.

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

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

Operational responsibility for effective ALM is delegated to the Asset & Liability Committee ("**ALCo**"). The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of Belfius Bank's 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, which has the final authority before any practical implementation.

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

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

Financial Markets activities

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

The VaR concept is used as the principal metric for proper management of the market risk Belfius Bank is facing. The VaR measures the maximum loss in Net Present Value ("**NPV**") the bank might be facing in normal and/or historical market conditions over a period of 10 days with a confidence interval of 99 per cent. The following risks are monitored at Belfius Bank using a VaR computation:

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

Since the end of 2011, Belfius Bank has computed a Stressed Value-at-Risk ("**S-VaR**") on top of its regular VaR. This S-VaR measure consists of calculating an additional VaR based on a 12 consecutive

months observation period which generates the largest negative variations of NPV in the bank's current portfolio of financial instruments.

3. Operational risk

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

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

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

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

4. Liquidity risk

Liquidity risk is inherent in much of Belfius Bank's business and mainly stems from:

- changes to the commercial funding amounts collected from Retail and Private customers, small, medium-sized and large companies, public and similar customers and the way these funds are allocated to customers through loans;
- the volatility of the collateral that is to be deposited with counterparties as part of the framework for derivatives and repo transactions (so-called cash & securities collateral);
- the value of the liquid reserves by virtue of which Belfius Bank can collect funding on the repo market and/or from the ECB;
- the capacity to obtain interbank and institutional funding; and
- the GBP liquidity gap which mainly stems from UK corporate bonds (inflation-linked bonds) and the collateral posted for the swaps hedging these bonds. This liquidity is managed throughout long-term CIRS (cross currency interest rate swaps) and short-term FX swaps

A stable customer deposit base and deleveraging has allowed Belfius Bank to reduce its funding from the ECB materially. This, in turn, has facilitated an increase in Belfius Bank's unencumbered high quality liquid assets ("**HQLA**"). However, if Belfius Bank were to exhaust these sources of liquidity, it would be necessary to seek alternative sources of funding from the monetary authorities, which can be costly in some cases.

CRD IV requires banks such as Belfius Bank to meet targets set for the Basel III liquidity related ratios, i.e., (i) the liquidity coverage ratio ("**LCR**") under Article 412 CRR which requires banks to hold sufficient HQLA to withstand a 30-day stressed funding scenario and (ii) the net stable funding ratio ("**NSFR**") under Article 427 which is calculated as the ratio of an institution's amount of

available stable funding to its amount of required stable funding. As at 30 June 2017, Belfius Bank's LCR stood at 128 per cent. and its NFSR stood at 115 per cent. Therefore, Belfius Bank currently complies with the CRD IV requirements (ratios respectively set at 90 per cent. and 100 per cent. as from 1 January 2018). However, failure to comply with these ratios in the future may lead to regulatory sanctions. Wholesale funding may also prove difficult if Belfius Bank does not achieve LCR and NSFR margins comparable to peers.

Each asset purchased and liability sold has unique liquidity characteristics. Some assets have high liquidity in that they can be converted into cash relatively quickly, while other assets, such as privately placed loans, mortgage loans, property and limited partnership interests, have comparatively low liquidity. Market downturns typically exacerbate low liquidity. They may also reduce the liquidity of those assets which are typically liquid, as occurred following the financial crisis with the markets for asset-backed securities relating to property assets and other collateralised debt and loan obligations.

In addition, due to new regulatory requirements and unconventional monetary policy, financial markets continue to experience reduced liquidity in some asset classes. Although liquidity for many asset classes has improved since 2008, there have been periods of illiquidity in the capital markets for certain asset classes such as structured credit. In periods of illiquidity, Belfius Bank may be unable to sell or buy assets at market efficient prices and may therefore realise investment losses or incur higher financing costs. In addition, illiquid markets could result in Belfius Bank being required to hold higher levels of liquid but low yielding assets as a buffer or having to raise or hold additional funds for operational purposes through financings, which could have a material adverse effect on its business, results of operations, financial condition and prospects. This might also apply to illiquidity in the Assets under Management ("**AuM**") business. In case of serious stress and in the event clients withdrew their funds from their investment shares, Belfius Bank might need to provide financial support to its AuM beyond or in the absence of any contractual obligations (step-in risk).

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

LCM organises a weekly Liquidity Management Committee ("**LMC**"), in presence of the CFO, the Risk Department, the Treasury Department of the Financial Markets and the Retail and Commercial and Public and Corporate business lines. This committee implements the decisions taken by LCM in relation to obtaining short-term and long-term funding on the institutional markets and through the commercial franchise.

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

LCM reports on a daily and weekly basis to the Management Board about Belfius Bank's liquidity situation.

Second-line controls for monitoring the liquidity risk are performed by the Risk department, which ensures that the reports published are accurate, challenges the retained hypothesis and models, realises simulation over stress situations and oversees compliance with limits, as laid down in the Liquidity Guidelines.

5. Competition

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

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

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.

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

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

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

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

- The requirements under Basel III have been implemented in the European Union through the adoption of (i) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms ("**CRD**") and (ii) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**" and together with CRD, "**CRD IV**").
- As part of the so-called banking union, the "**Single Supervision Mechanism**" or "**SSM**" was adopted by Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific

tasks on the 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/EC of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, which provides for a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"). The aim of the BRRD is to provide supervisory and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

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

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

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 preliminary 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.

7. Belgian banking law

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

The Belgian Banking Law is based on the existing regulatory framework and implements into Belgian law (i) the CRD, as further explained in paragraph 8 (*Effective capital management and capital adequacy and liquidity requirements*) below, and (ii) the BRRD, as further explained in paragraph 9 (*European Resolution Regime*) below. The Belgian Banking Law, however, has an impact that goes beyond the mere transposition of the aforementioned CRD and BRRD. This is, in particular, but not solely, due to (i) the increased regulatory attention to, and regulation of, corporate governance (including executive compensation), (ii) the need for strategic decisions to be pre-approved by the regulator, and (iii) the prohibition (subject to limited exceptions) of proprietary trading. In respect of the last point, 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 Competent Authority 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 Competent Authority 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.

8. Effective capital management and capital adequacy and liquidity requirements

Effective management of Belfius Bank's capital is critical to its ability to operate its businesses and to grow organically. Belfius Bank is required by regulators in Belgium and other jurisdictions in which it undertakes regulated activities to maintain adequate capital resources. The maintenance of adequate capital is also necessary for Belfius Bank's financial flexibility in the face of continuing turbulence and uncertainty in the global economy. Accordingly, the purpose of the issuance of the Securities 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 with a view to raising the quality of regulatory capital, and increased the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer above the minimum capital ratios which, if not maintained, results in certain capital distribution constraints being imposed on 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 per cent. of risk-weighted assets (i.e., its assets adjusted for their associated risks). In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer during periods of excessive credit growth, 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 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 (including the 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.

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 Securities.

9. European resolution regime

The BRRD grants powers to resolution authorities that include (but are not limited to) the introduction of a statutory "write-down and conversion power" in relation to Tier 1 capital instruments (including the Securities) 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) and capital instruments. These powers allow the Competent Authority to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (including the Securities) of a failing institution and/or to convert certain debt claims (including the Securities) 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 (such as the Securities) and Tier 2 capital instruments at the institution's or group's point of non-viability (i.e., the point at which the relevant authority determines that the institution or group meet the conditions for resolution or would cease to be viable (within the meaning of Article 251 of the Belgian Banking Law) if those capital instruments were not written down or converted). In addition, all Tier 1 capital instruments (such as the Securities) 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). See also risk factor "*The principal amount of the Securities may be reduced (Written Down) to absorb losses"*.

Accordingly, the Securities would, in any event, be written-down or converted at the latest at the same time as any bail-in of senior debt claims and possibly before, if deemed necessary in order to avoid the institution or group becoming non-viable.

10. Belgian bank recovery and resolution regime

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

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

The Belgian Banking Law allows the Resolution Authority to take resolution actions (see paragraph 9 (*European Resolution Regime*) above). Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for that purpose which is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down.

In addition, 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.

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. 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 Securityholders.

Investment considerations relating to the businesses of Belfius Bank

1. Business conditions and the general economy

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

- an economic downturn or significantly higher interest rates could adversely affect the credit quality of Belfius Bank's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of Belfius Bank's customers would be unable to meet their obligations;
- 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 payments under the Securities.

2. Current market conditions and recent developments

Sustained actions by the monetary authorities in both the United States and the Eurozone have created the conditions necessary to achieve stability in the financial system and to permit the start and continuation of the economic recovery. By injecting money into the economy and by creating proper financing systems, 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 Securities.

3. Uncertain economic conditions

Belfius Bank's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, the state of the economies Belfius Bank does business in, market interest rates and other factors that affect the economy. Also, the market for debt securities issued by banks is influenced by economic and market conditions 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 Securities or that economic and market conditions will not have any other adverse effect. The profitability of Belfius Bank's businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic trading market conditions and/or related factors, including governmental policies and initiatives. An economic downturn or significantly higher interest rates could increase the risk that a

greater number of Belfius Bank's customers would default on their loans or other obligations to Belfius Bank, or would refrain from seeking additional borrowing. As Belfius Bank currently conducts the majority of its business in Belgium, its performance is influenced by the level and cyclical nature of business activity in this country, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a lasting weakening in the Belgian economy will not have a material adverse effect on Belfius Bank's future results.

4. A downgrade in the credit rating

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

5. Catastrophic events, terrorist attacks and other acts of war

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

6. 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.

As from 1 January 2018, Belfius will apply 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 "held 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 "held to collect" business model, while Belfius Insurance will apply a mixed approach where part of the portfolio will be "held to collect" and the other part "held 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 IFRS9 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 12 months. The allowance remains based on the expected losses over the next 12 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 12 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 16/11/2017 has validated all material aspects of the new impairment rules applicable from 1.1.2018 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.

Based on current estimates, Belfius expects that its consolidated Fully Loaded Common Equity Tier 1 (CET1) ratio as of 1.1.2018 will be slightly higher under IFRS9 compared to the consolidated Fully Loaded CET1 ratio as of 31.12.2017 under IAS39. This impact is mainly attributable to the choice of business model of "held to collect" for a significant part of the bond portfolio of Belfius Bank, the majority of which presented, under IAS39, a negative Available For Sale reserve (either through its fair value or through a frozen value since reclassification). Under IFRS9 and considering the "held to collect" business model on these financial assets, the negative Available for Sale (AFS) reserve as of 31.12.2017 will be reversed as of 1.1.2018 FTA (First Time Adoption), and will hence not be deducted anymore from regulatory capital. The 1.1.2018 FTA impact of the new impairment methodology will however partially offset this positive impact stemming from the AFS reserve. Please note that the calculations are still current estimates, as full implementation in the accounting systems is still pending and 2017 full year accounts and 1.1.2018 FTA are still subject to full audit and approval process.

7. A substantial part of Belfius Bank's assets are encumbered

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

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

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

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

Risks related to the Securities

1. The Securities are complex instruments that may not be suitable for all investors

The Securities may not be suitable for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor, either on its own or with the help of its financial and other professional advisers, should:

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for payments in respect of the Securities is different from the potential investor's currency and including the possibility that the entire principal amount of the Securities could be lost;

(iv) understand thoroughly the terms of the Securities, including the provisions relating to the payment and cancellation of interest and any write-down of the Securities, and be familiar with the behaviour of any relevant indices and the financial markets in which they participate; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments making it difficult to compare them with other similar financial instruments due to a lack of fully harmonised structures, trigger points and loss absorption. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the likelihood of a Principal Write-down, reaching the point of non-viability or cancellation of coupons (as discussed below in the risk factors "*A Holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*", "*The principal amount of the Securities may be reduced (Written Down) to absorb losses*" and "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*"), the resulting effects on the value of the Securities, and the impact of this investment on the potential investor's overall investment portfolio. These risks may be difficult to evaluate given their discretionary or unknown nature.

2. The Securities constitute deeply subordinated obligations

The Securities constitute unsecured and deeply subordinated obligations of the Issuer. As a result, in the event of the dissolution or liquidation of the Issuer (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), the rights and claims of the holders against the Issuer in respect of or arising under (including any damages awarded for breach of any obligation under) the Securities shall rank as described in the Terms and Conditions of the Securities. In particular, they shall (i) be junior to the rights and claims of holders of all other indebtedness of the Issuer (including Tier 2 Capital Instruments) other than (x) any Junior Obligations and (y) any Parity Securities, and (ii) be senior only

to the rights and claims of holders of any class of shares of the Issuer and any other obligation that ranks, or is expressed to rank, junior to the Issuer's obligations under the Securities.

Before the occurrence of any event referred to above, holders of the Securities may already have lost the whole or part of their investment in the Securities as a result of a write-down of the principal amount of the Securities following a Trigger Event and/or a write-down or conversion of the principal amount of the Securities following Statutory Loss Absorption (see the risk factors "*The principal amount of the Securities may be reduced (Written Down) to absorb losses*" and "*A Holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*" below). In the event of a dissolution or liquidation of the Issuer (other than as set out in the Terms and Conditions of the Securities), payment of any remaining principal amount not so written down to a holder will, by virtue of such subordination, only be made after, and any set off by a holder shall be excluded until, all obligations of the Issuer resulting from unsubordinated claims with respect to the repayment of borrowed money, other unsubordinated rights and claims and higher ranking subordinated claims have been satisfied in full. If any such event occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due and payable under the Securities. A holder may therefore recover less than the holders of unsubordinated or prior ranking subordinated liabilities of the Issuer.

Although the Securities may pay a higher rate of interest than securities which are not, or not as deeply, subordinated, there is a real risk that an investor in deeply subordinated securities such as the Securities will lose all or some of its investment should the Issuer become insolvent.

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

The Terms and Conditions of the Securities do not limit the amount of liabilities ranking senior or *pari passu* in priority of payment to the Securities which may be incurred or assumed by the Issuer from time to time, whether before or after the issue date of the Securities nor do they restrict the Issuer in issuing Additional Tier 1 Capital Instruments with other write-down mechanisms or trigger levels or that convert into shares upon a trigger event. The Issuer may be able to incur significant additional secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness. If the Issuer becomes insolvent or is liquidated, or if payment under any secured or unsecured unsubordinated and/or prior-ranking subordinated debt obligations is accelerated, the Issuer's secured or unsecured unsubordinated or, as the case may be, prior-ranking subordinated lenders would be entitled to exercise the remedies available to a secured or unsecured unsubordinated and/or prior-ranking subordinated lender before the holders.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, including, without limitation, insurance or reinsurance contracts, derivative contracts, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer that in a winding-up or insolvency proceeding of the Issuer will need to be paid in full before the obligations under the Securities may be satisfied.

As a result, the Securities are subordinated to any secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness that the Issuer may incur in the future. If any event referred to in the risk factor "*The Securities constitute deeply subordinated obligations*" above were to occur, the Issuer may not have enough assets remaining after these payments to pay amounts due and payable under the Securities and the holders may therefore recover rateably less (if anything) than the lenders of the Issuer's secured or unsecured unsubordinated debt and/or prior-ranking subordinated

debt in the event of the Issuer's bankruptcy or liquidation. Even if the claims of senior ranking creditors would be satisfied in full, holders may still not be able to recover the full amount due because the proceeds of the remaining assets must be shared pro rata among all other creditors holding claims ranking *pari passu* with the claims of the holders in respect of the Securities.

Also, the incurrence of additional capital instruments with interest cancellation provisions similar to the Securities may increase the likelihood of (partial) interest payment cancellations under the Securities if the Issuer is not able to generate sufficient Distributable Items or to maintain adequate capital buffers to make interest payments falling due on all outstanding capital instruments of the Issuer in full. See the risk factor "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*" below.

If the Issuer's financial condition were to deteriorate, investors could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer were liquidated (whether voluntarily or involuntarily), investors could suffer loss of their entire investment.

4. The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest

The Issuer may at any time elect, in its sole and absolute discretion, to cancel the payment of any interest in whole or in part at any time for any reason and without any restriction on the Issuer thereafter. The Issuer will be required to cancel the payment of all or some of the interest payments otherwise falling due on the Securities in circumstances where the relevant interest payment would either cause the Distributable Items or, if certain capital buffers are not maintained and when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of CRD), the Maximum Distributable Amount (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded, as described in Condition 3.2(b) (*Mandatory cancellation of interest*). Also the Competent Authority may order the Issuer to cancel interest payments and any accrued but unpaid interest will be cancelled up to the Trigger Event Write-down Date following the occurrence of a Trigger Event.

The obligations of the Issuer under the Securities are senior in ranking to the ordinary shares of the Issuer. It is the Issuer's current intention that, whenever exercising its discretion to propose any dividend or distributions in respect of the ordinary shares of the Issuer, or its discretion to cancel the payment of interest, it will take into account the relative ranking of these instruments in its capital structure. However, the Issuer may at any time depart from this policy at its sole discretion, and as further set out in this risk factor, in accordance with the Applicable Banking Regulations and the Conditions, it may in its discretion elect to cancel the payment of interest at any time and for any reason.

Distributable Items relate to the Issuer's profits and distributable reserves determined on the basis of the Issuer's non-consolidated accounts as further described in Condition 3.2 (b) (*Mandatory cancellation of interest*). The amount of Distributable Items available to pay interest on the Securities may be affected, inter alia, by other discretionary interest payments on other (existing or future) capital instruments, including Common Equity Tier 1 ("**CET1**") distributions and any write-ups of principal amounts of Discretionary Temporary Write-down Instruments (if any). In addition, the amount of Distributable Items may potentially be adversely affected by the performance of the business of the Issuer in general, factors affecting its financial position (including capital and leverage ratios and requirements), the economic environment in which the Issuer operates and other factors outside of the Issuer's control. Adjustments to earnings, as determined by the Board of Directors of the Issuer, may

furthermore fluctuate significantly and may materially adversely affect Distributable Items of the Issuer. As at 31 December 2016, the Issuer's Distributable Items were approximately €3,152,800,000.

The Maximum Distributable Amount is a concept which will apply in circumstances where the Issuer does not meet certain combined capital buffer requirements (see also below and in the risk factor "*CRD IV includes capital requirements that are in addition to the minimum regulatory Common Equity Tier 1 capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*" and "*The Solo CET1 Ratio and the Consolidated CET1 Ratio will be affected by a number of factors, any of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the investors*").

Under Article 141(2) (*Restrictions on distributions*) CRD, member states of the European Union must require that institutions that fail to meet the combined buffer requirement (broadly, the combination of the capital conservation buffer, the countercyclical capital buffer imposed by the macroprudential authorities (NBB or SSM) and the higher of (depending on the institution), the systemic risk buffer, the global systemically important institutions ("**G-SIIs**") buffer and the other systemically important institutions ("**O-SIIs**") buffer, in each case as applicable to the institution) will be subject to restricted discretionary payments (which are defined broadly by CRD IV as distributions in connection with CET1 capital, payments on Additional Tier 1 Capital Instruments (including interest amounts on the Securities and any write-ups of principal amounts (if applicable) and payments of discretionary staff remuneration). In 2014, these rules were transposed into Belgian law under Articles 100 and 101, read together with Schedule 5 (*Restrictions on distributions*) of the Belgian Banking Law.

The combined buffer requirement and the associated restrictions under Article 141(2) CRD as transposed by Articles 100 and 101 read together with Schedule 5 of the Belgian Banking Law have started to transition in from 1 January 2016 at a rate of 25 per cent. of such requirement per annum. In the event of a breach of the combined buffer requirement, the restrictions under Article 141(2) CRD will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the institution's profits. Such calculation will result in a maximum distributable amount ("**Maximum Distributable Amount**" or "**MDA**") in each relevant period.

MDA restrictions would need to be calculated for each separate level of supervision. As at the date of this Prospectus, MDA restrictions should be calculated at a solo and consolidated level. For each such level of supervision, the level of restriction under Article 141(2) CRD and Articles 100 and 101 read together with Schedule 5 of the Belgian Banking Law will be scaled according to the extent of the breach of the combined buffer requirement applicable at such level and calculated as a percentage of the respective profits calculated at such level. The MDA would thus be assessed separately for each level of supervision based on this calculation and distributions would be restricted by the lowest amount.

Such calculation will result in a MDA in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including potentially exercising the Issuer's discretion to cancel (in whole or in part) interest payments in respect of the Securities. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, interest payments, write-up amounts and redemption amounts on its Tier 1 instruments (including the Securities) and certain variable remuneration (such as bonuses) or discretionary pension benefits will be limited.

The amount of CET1 capital required to meet the combined buffer requirements will be relevant to assess the risk of interest payments being cancelled. See also below in the risk factor "*CRD IV includes capital requirements that are in addition to the minimum regulatory Common Equity Tier 1 capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments*". The market price of the Securities is likely to be affected by any fluctuations in either the Solo CET1 Ratio or the Consolidated CET1 Ratio. Any indication or perceived indication that either of these ratios are tending towards the write-down trigger of 5.125 per cent. or the applicable MDA trigger level may have an adverse impact on the market price of the Securities.

The Issuer's capital requirements are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. See also below in the risk factor "*The Solo CET1 Ratio and the Consolidated CET1 Ratio will be affected by a number of factors, any of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the investors*".

Holders of the Securities may not be able to predict accurately the proximity of the risk of discretionary payments (of interest and principal) on the Securities being prohibited from time to time as a result of the operation of Article 141 CRD and Articles 99 to 103 (included) read together with Schedule 5 to the Belgian Banking Law. In any event, the Issuer will have discretion as to how the MDA will be applied if insufficient to meet all expected distributions and is not obliged to take the interest of investors in the Securities into account.

Payment of interest may also be affected by any application of the legislation in Belgium implementing the BRRD. See also below in the risk factor "*A Holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*". Furthermore, the developing regulatory total loss-absorbing capacity ("**TLAC**")/minimum requirement for own funds and eligible liabilities ("**MREL**") framework, if adopted and once implemented may impose further restrictions on the Issuer's ability to pay interest on the Securities. Among other things, the EU Banking Reform Proposals aim to implement TLAC standards for Global Systemically Important Banks ("**GSIBs**") in the EU. However, the EU Banking Reform Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. As a result, it is not possible to give any assurances as to the ultimate scope, nature, timing and of any resulting obligations, or the impact that they will have on the Issuer once implemented. The proposals apply a harmonised minimum TLAC level to EU GSIBs while introducing a firm-specific MREL for GSIBs, DSIBs (Domestic Systemically Important Banks, such as the Issuer) and smaller institutions and facilitate the issuance of a new liability class of "non-preferred senior" by requiring member states to introduce such layer in their local insolvency laws. The new class of non-preferred senior debt instruments ranks between subordinated debt and other senior unsecured creditors.

Further amendments include changes to the calculation of MREL – which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution – and MREL eligibility criteria, which could affect the level of future MREL as well as the level of reported MREL capacity. It is proposed that the MREL requirements should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution above the level of the existing own funds requirements and to ensure a sufficient market confidence in the entity post-

resolution (i.e., on top of the required recapitalisation amount). These higher levels will take the form of "MREL guidance", and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to MDA restrictions.

Furthermore, the EU Banking Reform Proposals introduce consequences of breaching MREL requirements relating to the combined buffer requirement and MDA breach. A failure by the Issuer to comply with MREL requirements means the Issuer could become subject to the MDA restrictions on certain discretionary payments, including payments on Additional Tier 1 Capital Instruments such as the Securities, as the required amount of MREL 'sits below' the combined buffer requirements. In particular, a new Article 141a is proposed to be included in the CRD to better clarify, for the purposes of restrictions on distributions, the relation between the additional own funds requirements, the minimum own funds requirements, the MREL requirement and the combined buffer requirement (the so called "stacking order"), with Article 141 CRD to be amended to reflect the stacking order in the calculation of the Maximum Distributable Amount. Under the new Article 141a, an institution such as the Issuer shall be considered as failing to meet the combined buffer requirement for the purposes of Article 141 CRD where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the requirement defined in Article 128(6) CRD IV (i.e., the combined buffer requirement) as well as each of the minimum own funds requirements, the additional own funds requirements and the MREL requirement. The proposal in its current form recognises that breaches of the combined buffer (while still complying with Pillar 1 and Pillar 2 capital requirements) may be due to a temporary inability to issue new eligible debt for MREL. For these situations, the proposal envisages a six month grace period before restrictions under Article 141 kick in. During the grace period, authorities will be able to exercise other powers available to them that are appropriate in view of the financial situation of the institution. It is not yet clear how and to which extent the aforementioned new requirements will be transposed into Belgian law.

It is expected that a formal MREL level will be given to the Issuer by the SRB. At this stage, no formal MREL target has been communicated to the Issuer. Based on the MREL calibration methodology, published by the SRB in November 2016, Belfius' mechanical target would potentially amount to 27.25 per cent. of risk-weighted exposures (in fully loaded format).

In addition, CRD IV includes a requirement for credit institutions to calculate, report, monitor and publish their leverage ratios, defined as their Tier 1 capital as a percentage of their total exposure measure. As part of the EU Banking Reform Proposals, a binding leverage ratio of 3 per cent. is being introduced in 2018.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements or buffer capital requirements applicable to the Issuer will not be amended in the future to include new and more onerous capital requirements (including a leverage ratio buffer), which in turn may affect the Issuer's capacity to make payments of interest on the Securities. In particular, the EU Banking Reform Proposals envisage that the binding leverage ratio of 3 per cent. will be increased with a factor of 0.33 applied to the O-SII buffer. In this context, with the entry into force of such amendments in 2019 (as currently envisaged and assuming the CRR is amended in line with such proposals), a binding leverage ratio of 3.5 per cent. will be required.

Furthermore, Articles 102 et seq. CRD give the Competent Authority certain supervisory measures and powers which would apply if the Issuer fails (or is likely to fail) to comply with applicable regulations. There are no ex-ante limitations on the discretion to use this power. In such circumstances, the Competent Authority could require the Issuer to suspend payments of interest on Additional Tier 1 instruments (including the Securities). Furthermore, the CRD provides the Competent Authority

coupon cancellation powers which may force the Issuer to cancel interest payments to holders of the Securities. These powers have been implemented in the Belgian Banking Law as well.

It follows from the above that there can be no assurance that an investor will receive payments of interest in respect of the Securities, and the Issuer's ability to make interest payments on the Securities will depend on a combination of factors including (i) the level of distributable reserves and the profits the Issuer has accumulated in the financial year preceding any interest payment date, (ii) the amount of outstanding capital instruments with interest cancellation provisions similar to the Securities, (iii) the combined capital buffer of the Issuer and any other capital requirement applicable to the Issuer as applicable at each solvency level from time to time and (iv) the application of certain discretionary powers of the Competent Authority in respect of the Issuer. Even if there were to be sufficient funds to make interest payments on the Securities, the Issuer may still elect to cancel such interest payment for any reason and for any length of time. Furthermore, no interest will be paid on any principal amount that has been written down following a Trigger Event in accordance with the Terms and Conditions of the Securities and no interest may be paid on any principal amount that has been written down following any Statutory Loss Absorption in accordance with the Statutory Loss Absorption Powers. The payment of interest on any remaining principal amount following such write-down is subject to the Issuer having sufficient Distributable Items and, if applicable, sufficient Solo Net Profit and Consolidated Net Profit and the MDA not being exceeded (see the risk factors "*The principal amount of the Securities may be reduced (Written Down) to absorb losses*" and "*A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*" below).

Any interest not paid shall be deemed cancelled and shall not accumulate or be payable at any time thereafter. Cancellation of interest shall not constitute a default under the Securities for any purpose. Investors shall have no further rights in respect of any interest not paid and shall not be entitled to any compensation or to take any action to cause the dissolution or liquidation of the Issuer in the event any interest is not paid. Furthermore, cancellation of interest payments shall not in any way impose restrictions on the Issuer, including restricting the Issuer from making distributions or equivalent payments in connection with junior ranking or *pari passu* ranking instruments.

Any actual or anticipated cancellation of interest on the Securities will likely have an adverse effect on the market price of the Securities. Furthermore, the Securities may trade with accrued interest, which may be reflected in the trading price of the Securities. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to such interest payment on the relevant interest payment date.

In addition, as a result of the interest cancellation provisions of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which interest accrues which is not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication that either the Solo CET1 Ratio or the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the applicable MDA trigger level or that the available Distributable Items is decreasing may have an adverse effect on the market price of the Securities.

5. The principal amount of the Securities may be reduced (Written Down) to absorb losses

The Securities are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Issuer. Such eligibility depends upon a number of conditions being satisfied. One of these relates to the ability of the Securities and the

proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, if either the Solo CET1 Ratio or the Consolidated CET1 Ratio falls below 5.125 per cent. as determined by the Issuer or the Competent Authority (a "**Trigger Event**"), the Prevailing Principal Amount of the Securities will be reduced with an amount at least sufficient to immediately cure the Trigger Event, and any accrued but unpaid interest will be cancelled. A Principal Write-down may occur at any time on one or more occasions (provided, however, that the principal amount of a Security shall never be reduced to below one cent). Any Principal Write-down of the Securities shall not constitute a default of the Issuer. Investors shall not be entitled to any compensation or to take any action to cause the dissolution or liquidation of the Issuer in the event of a Principal Write-down (without prejudice to any principal amount subsequently written-up at the discretion of the Issuer in accordance with the Principal Write-up mechanism as set out in Condition 7.2 (*Principal Write-up*)).

A Principal Write-down is expected to occur simultaneously with the concurrent pro rata write-down or conversion into equity of the prevailing principal amount of any Loss Absorbing Instruments (being any instrument issued directly or indirectly by the Issuer which qualifies as Additional Tier 1 Capital of the Issuer on a solo or consolidated basis and has terms pursuant to which all or some of its principal amount may be written-down (whether on a permanent or temporary basis) or converted into equity (in each case in accordance with its conditions) on the occurrence, or as a result, of the Solo CET1 Ratio or the Consolidated CET1 Ratio falling below a certain trigger level). However, this will not necessarily be the case. In particular, investors must note that to the extent such write-down or conversion into equity of any Loss Absorbing Instruments is not effective for any reason (i) the ineffectiveness of any such write-down or conversion into equity shall not prejudice the requirement to effect a Principal Write-down of the Securities and (ii) the write-down or conversion into equity of any other Loss Absorbing Instruments which is not effective shall not be taken into account in determining the Write-down Amount of the Securities. Therefore, the write-down or conversion into equity of other Loss Absorbing Instruments is not a condition for a Principal Write-down of the Securities and, as a result of failure to write down or convert into equity such other Loss Absorbing Instruments, the Write-down Amount of the Securities may be higher. Holders may lose all or some of their investment as a result of such a Principal Write-down of the Prevailing Principal Amount of the Securities. In particular, the Issuer may be required to write down the Prevailing Principal Amount of the Securities following the occurrence of a Trigger Event such that each of the Solo CET1 Ratio and the Consolidated CET1 Ratio is restored to a level higher than 5.125 per cent. No assurance can be given that a Principal Write-down will be applied towards not only curing the Trigger Event but also towards restoring the Solo CET1 Ratio and/or the Consolidated CET1 Ratio to a level which is higher than 5.125 per cent. In such an event, the Write-down Amount will be greater than the amount by which the then Prevailing Principal Amount would have been written down if the Issuer had been required to write down the principal amount of the Securities to the extent necessary thereby to restore each of the Solo CET1 Ratio and the Consolidated CET1 Ratio to 5.125 per cent.

Furthermore, it is possible that, following a material decrease in the Solo CET1 Ratio and/or the Consolidated CET1 Ratio, a Trigger Event in relation to the Securities occurs simultaneously with a trigger event in relation to other Loss Absorbing Instruments having a higher trigger level. If this were to occur, the Prevailing Principal Amount of the Securities will be reduced pro rata with such Loss Absorbing Instruments having a higher trigger level up to an amount sufficient to restore each of the Solo CET1 Ratio and the Consolidated CET1 Ratio to at least 5.125 per cent. provided that, with respect to each other Loss Absorbing Instrument (if any), such pro rata write-down and/or conversion shall only be taken into account to the extent required to restore the Solo CET1 Ratio and the Consolidated CET1 Ratio to the lower of (x) such other Loss Absorbing Instrument's trigger level and (y) 5.125 per cent., in each case, in accordance with the terms of the relevant instruments and the

Applicable Banking Regulations. Any pro rata reduction of the Prevailing Principal Amount of the Securities may potentially be higher than that applied to other Additional Tier 1 Capital Instruments if the write-down or conversion of such other securities is ineffective for any reason.

The Issuer's future outstanding junior and *pari passu* ranking securities might not include write-down or similar features with triggers comparable to those of the Securities. As a result, it is possible that the Securities will be subject to a Principal Write-down, while junior and *pari passu* ranking securities remain outstanding and continue to receive payments. Also, the Terms and Conditions of the Securities do not in any way impose restrictions on the Issuer following a Principal Write-down, including restrictions on making any distribution or equivalent payment in connection with (i) any Junior Obligations (including, without limitation, any common shares of the Issuer) or (ii) in respect of any Parity Securities.

Investors may lose all or some of their investment as a result of a Principal Write-down or of reaching the point of non-viability or of the application of certain resolution tools (see also below in the risk factor "*A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs*"). Although (in case of a Principal Write-down only following a Trigger Event) the Conditions allow for the principal amount to be written-up again in certain circumstances at the Issuer's discretion, due to the limited circumstances in which a Principal Write-up may be undertaken (as described in the paragraph below) any reinstatement of the Prevailing Principal Amount of the Securities and recovery of such investment may take place over an extended period of time or not at all. In addition, if an event as described in Condition 10 (*Enforcement*) occurs prior to the Securities being written-up in full pursuant to Condition 7.2 (*Principal Write-up*), holders' claims for principal in dissolution or liquidation (other than as set out in the Terms and Conditions of the Securities) will be based on the reduced principal amount (if any) of the Securities. Further, during the period of any Principal Write-down pursuant to Condition 7.1 (*Principal Write-down*), interest will accrue on the reduced principal amount of the Securities and its payment is subject to the Issuer having sufficient Distributable Items and, if applicable, sufficient Solo Net Profit and Consolidated Net Profit and the MDA not being exceeded. Also, any redemption at the option of the Issuer upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event will take place at the reduced principal amount of the Securities.

The written down principal amount will not be automatically reinstated if the Solo CET1 Ratio and the Consolidated CET1 Ratio is restored above a certain level. It is the extent to which the Issuer makes a profit (on a non-consolidated and a consolidated basis) from its operations (if any) that will affect whether the principal amount of the Securities may be reinstated to its Original Principal Amount. The Issuer's ability to write-up the principal amount of the Securities will depend on certain conditions, such as there being sufficient Solo Net Profit and sufficient Consolidated Net Profit and, if applicable, the MDA not being exceeded. No assurance can be given that these conditions will ever be met. Moreover, even if met, the Issuer will not in any circumstances be obliged to write-up the principal amount of the Securities. Also the Competent Authority has the power to prohibit a write-up if the Issuer fails (or is likely to fail) to comply with applicable regulations. However, if any write-up were to occur, it will have to be undertaken on a pro rata basis with any other instruments qualifying as Additional Tier 1 Capital providing for a reinstatement of principal amount in similar circumstances that have been subject to a write-down (see Condition 7.2(a) (*Principal Write-up*)).

The market price of the Securities is expected to be affected by any actual or anticipated write-down of the principal amount of the Securities as well as by the Issuer's actual or anticipated ability to write-up the reduced principal amount to its original principal amount.

6. The Solo CET1 Ratio and the Consolidated CET1 Ratio will be affected by a number of factors, any of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the investors

The market price of the Securities is expected to be affected by fluctuations in the Solo CET1 Ratio and/or the Consolidated CET1 Ratio. Any indication or perceived indication that either the Solo CET1 Ratio or the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the applicable MDA trigger level may have an adverse effect on the market price of the Securities. The level of either the Solo CET1 Ratio and the Consolidated CET1 Ratio may significantly affect the trading price of the Securities.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, any of which may be outside the Issuer's control. Because the Solo CET1 Ratio and/or the Consolidated CET1 Ratio may be calculated as at any date, a Trigger Event could occur at any time. The calculation of the Solo CET1 Ratio and/or the Consolidated CET1 Ratio could be affected by one or more factors, including, among other things, changes in the mix of the Issuer's business, major events affecting its earnings, dividend payments by the Issuer, accounting changes, regulatory changes (including the imposition of additional minimum capital or capital buffer requirements or changes to definitions and calculations of regulatory capital ratios and their components or the changes to the interpretation thereof by the relevant authorities or case law) and the Issuer's ability to manage risk-weighted assets in both its ongoing businesses and those which it may seek to exit or enter. The impact of these factors on the calculation of the Solo CET1 Ratio may be different from their impact on the calculation of the Consolidated CET1 Ratio. This may, in its turn, lead to certain divergences between the Solo CET1 Ratio and the Consolidated CET1 Ratio.

As an example of potential regulatory changes which may impact the Solo CET1 Ratio and/or the Consolidated CET1 Ratio, on 7 December 2017 the Basel Committee of Banking Supervision ("**BCBS**") published reforms to the Basel III framework. The BCBS reviewed the standardised approaches of the capital requirement frameworks for credit and operational risk, *inter alia*, with a view to reducing mechanistic reliance on external ratings. In addition, the role of internal models was reviewed with the aim to improve comparability and address excessive variability in the capital requirements for credit risk. The BCBS adopted capital floor framework based on the revised standardised approaches for all risk types. This framework will replace the current capital floor for credit institutions using internal models, which is based on the Basel I standard. The BCBS decided to revise the output floor in order to limit the amount of capital benefit a bank can obtain from its use of internal models, relative to using the standardised approaches. A bank's risk-weighted assets generated by internal models cannot, in aggregate, fall below 72.5 per cent. of the risk-weighted assets computed by the standardised approaches. The final agreement are intended to be implemented by January 2022 but the European Union will need to transpose the reforms into European legislation. The reform is expected to have an impact on the Issuer's capital requirements, although the Issuer expects to remain well above the minimum ratio imposed by EU regulations and the ECB.

The Solo CET1 Ratio and the Consolidated CET1 Ratio will also depend on the Issuer's decisions relating to its businesses and operations, as well as the management of its capital position, and may be affected by changes in applicable accounting rules (including, but not limited to, the introduction of IFRS 9, see below) or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. For example, the Issuer may decide not to, or not be able to, raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. Moreover, the Solo CET1 Ratio, the Consolidated CET1 Ratio, Distributable Items and any MDA will depend in part on decisions made by the Issuer relating to its businesses and operations, as well as the

management of its capital position. See also the risk factors related to the Issuer's business set out above for further developments, circumstances and events which may impact the Solo CET1 Ratio and/or the Consolidated CET1 Ratio.

Investors will not be able to monitor movements in the Solo CET1 Ratio, the Consolidated CET1 Ratio or any MDA on a continuous basis and it may therefore not be foreseeable when a Trigger Event may occur or whether interest payments must be cancelled.

The Issuer will have no obligation to consider the interests of investors in connection with its strategic decisions, including in respect of its capital management. Investors will not have any claim against the Issuer relating to decisions that affect the business and operations of the Issuer, including its capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause investors to lose all or part of the value of their investment in the Securities.

The Issuer intends to publish the Solo CET1 Ratio and the Consolidated CET1 Ratio on a semiannual basis. If Belfius were to become a listed entity, it intends to publish the Solo CET1 Ratio and the Consolidated CET1 Ratio on a quarterly basis. This may mean investors are given limited warning of any deterioration in the Solo CET1 Ratio and/or the Consolidated CET1 Ratio. Investors should also be aware that the Solo CET1 Ratio and/or the Consolidated CET1 Ratio may be calculated as at any date and, as a result thereof, a Trigger Event may occur as at any date.

Due to the uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, the Prevailing Principal Amount of the Securities may be written down. Accordingly, the trading behaviour of the Securities may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication or perceived indication that the Solo CET1 Ratio and/or the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the applicable minimum MDA trigger level may have an adverse effect on the market price of the Securities. Under such circumstances, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to more conventional investments.

7. ***CRD IV includes capital requirements that are in addition to the minimum regulatory Common Equity Tier 1 capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will automatically cancel such interest payments***

A minimum combined buffer requirement is imposed on top of the minimum regulatory Pillar 1 CET1 capital requirement of 4.5 per cent. of the Issuer's total risk weighted assets ("**RWA**") as calculated in accordance with Article 92 CRR and any Pillar 2 requirements applicable to the Issuer.

In 2018, the combined buffer requirements for the Issuer phased in consist of the following elements:

(i) Capital conservation buffer: set at 1.875 per cent. of RWA (and which will be increased to 2.50 per cent. in 2019);

(ii) Institution-specific countercyclical capital buffer: the institution-specific countercyclical capital buffer rate shall consist of the weighted average of the countercyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located; this rate will be between 0 per cent. and 2.5 per cent. of RWA (but may be set higher than 2.5 per cent. where the Competent Authority considers that the conditions justify this). The designated authority in each member state must set the countercyclical capital buffer rate for exposures in its jurisdiction on a quarterly basis. The countercyclical buffer is currently set at 0 per cent;

(iii) Systemic relevance buffer: the systemic relevance buffer consists of a buffer for G-SIIs and for O-SIIs, to be determined by the Competent Authority. The buffer rate for O-SIIs can be up to 2.0 per cent. of RWA. The buffer rate for G-SII can be between 1 per cent. and 3.5 per cent. of RWA. The Competent Authority periodically reviews the identification of G-SIIs and O-SIIs as well as the applicable buffer rate. The Issuer is currently not a G-SII but is an O-SII and the applicable buffer rate is currently set at 1.5 per cent. The systemic relevance buffer imposes higher capital requirements for institutions, such as the Issuer, that, due to their systemic importance, are more likely to create risks to financial stability than other, less systemically important, institutions; and

(iv) Systemic risk buffer: set as an additional loss absorbency buffer to prevent and mitigate long term non-cyclical systemic or macro prudential risks not covered in CRD IV, with a minimum of 1 per cent. of RWA. The buffer rate will be reviewed annually by the Competent Authority. Currently, the Competent Authority does not require the Issuer to hold a systemic risk buffer.

When an institution is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic risk buffer addresses. These rules are, however, expected to change with the entry into force with the proposed amendments to CRR.

The combined buffer requirement must be met with CET1 Capital and is being gradually phased in in quartiles from 1 January 2016 to fully apply from 1 January 2019.

In the future the Issuer may need to comply with a higher combined buffer requirement. For example, the Competent Authority may impose a systemic risk buffer or a countercyclical capital buffer.

In addition to the "Pillar 1" capital requirements described above, CRD IV contemplates that the Competent Authority may require additional "Pillar 2" capital to be maintained by an institution relating to elements of risks which are not fully covered by the minimum own funds requirements ("additional own funds requirements") or to address macro-prudential requirements.

The EBA published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process ("**SREP**") which contained guidelines proposing a common approach to determining the amount and composition of additional own funds requirements and which was implemented from 1 January 2016. The guidelines contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements. Accordingly, the combined buffer requirement (as referred to above) applies in addition to the minimum own funds requirement and to the additional own funds requirement.

The SREP is carried out continuously by the relevant Joint Supervisory Team who prepares an individual SREP decision once a year. In December 2017, the ECB published a SSM SREP methodology booklet which sets out the common methodology it intends to apply in 2018. Every bank receives a letter setting out the specific measures it needs to implement in the following year. In July 2016, the ECB confirmed that the SREP will for the first time comprise two elements: Pillar 2 requirements (which are binding and breach of which can have direct legal consequences for banks, including the triggering of the capital conservation measures of Article 141 CRD) and Pillar 2 guidance (with which banks are expected to comply but breach of which does not automatically trigger the capital conservation measures of Article 141 CRD). Accordingly, in the capital stack of a bank, the Pillar 2 guidance is in addition to (and "sits above") that bank's Pillar 1 capital requirements, its Pillar 2 requirements and its combined buffer requirement. If a bank does not meet its Pillar 2 guidance, the mandatory restrictions on discretionary payments (including payments on its CET1 and Additional Tier

1 Capital Instruments such as the Securities and certain variable remuneration (such as bonuses) or discretionary pension benefits) based on its MDA will not automatically apply. Instead, the Competent Authority will carefully consider the reasons and circumstances and may impose individually tailored supervisory measures. However, the mandatory restrictions on such discretionary payments (including payments on Additional Tier 1 Capital Instruments such as the Securities) based on its MDA will apply if a bank fails to maintain its combined buffer requirement, such as because of a breach of Pillar 2 capital requirements. These changes are also reflected in the EU Banking Reform Proposals. However, there can be no assurance as to how and when effect will be given to the EBA's guidelines and/or the EU Banking Reform Proposals in Belgium, including as to the consequences for a bank of its capital levels falling below the minimum own funds requirements, additional own funds requirements and/or combined buffer requirement referred to above.

8. Many aspects of the manner in which CRD IV will be interpreted remain uncertain and may be subject to change

Many of the defined terms in the Terms and Conditions of the Securities depend on the final interpretation and implementation of CRD IV. CRD IV is a recently-adopted set of rules and regulations that imposes a series of new requirements, many of which will be phased in over a number of years. Although the CRD has been implemented into Belgian law and CRR is directly applicable in each Member State, a number of important interpretational issues remain to be resolved through binding technical and implementing standards and guidelines and recommendations by the EBA that will be adopted in the future, and leaves certain other matters to the discretion of the Competent Authority. Also proposals have already been published by the European Commission to make certain amendments to CRD IV by means of the EU Banking Reform Proposals, partly drawing from the Basel Committee further banking reform proposals.

Furthermore, any change in the laws or regulations of Belgium (including tax laws applicable to the Securities), Applicable Banking Regulations or any change in the application or official interpretation thereof may in certain circumstances result in the Issuer having the option to redeem the Securities in whole but not in part (see the risk factor "*The Securities are subject to optional early redemption on the First Call Date (16 April 2025), each Interest Payment Date thereafter or at any time upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event, subject to certain conditions*" below). In any such case, the Securities would cease to be outstanding, which could materially and adversely affect investors and not align with their investment strategies and goals.

Such legislative and regulatory uncertainty could affect an investor's ability to value the Securities accurately and therefore affect the market price of the Securities given the extent and impact on the Securities of one or more regulatory or legislative changes.

9. A holder may lose all of its investment in the Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs

In addition to being subject to a possible write-down as a result of the occurrence of a Trigger Event in accordance with the Terms and Conditions of the Securities, the Securities may also be subject to a permanent write-down or conversion into CET1 instruments (in whole or in part) in circumstances where the competent resolution authority would, in its discretion, determine that the Issuer has reached the point of non-viability (on a solo or consolidated basis).

Furthermore, the BRRD and the SRM provide the SRB the power to ensure that capital instruments (such as the Securities) and certain eligible liabilities absorb losses when the Issuer meets the conditions for resolution, through the write-down or conversion to equity of such instruments (the "**Bail-In Tool**").

The BRRD has been transposed into Belgian law gradually as from 6 March 2015. Under the Banking Law, substantial powers have been granted to the Competent Authority. These powers amongst others enable the resolution authority to deal with and stabilise credit institutions that are failing or are likely to fail. In line with the BRRD, the resolution regime will enable the resolution authority to: (i) transfer all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer all or part of the business of the relevant entity to a "bridge bank"; (iii) obtain the temporary public ownership of the relevant entity; and/or (iv) bail-in unsecured debt.

Moreover, competent supervisory and resolution authorities are entrusted with broad early intervention powers and institutions will be required to draw up recovery and resolution plans and demonstrate their resolvability. In order to make the Bail-In Tool effective, the BRRD and the Belgian Banking Law also provide that credit institutions (including the Issuer) will at all times have to meet MREL (as defined above, "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*") so that there is sufficient capital and liabilities available to stabilise and recapitalise failing credit institutions. These requirements are being gradually phased in.

On 23 November 2016, the European Commission announced a further package of reforms to the BRRD and the SRM, including measures to increase the resilience of EU institutions and enhance financial stability as part of the EU Banking Reform Proposals. The timing for the final implementation and the final impact of these reforms as at the date of this Prospectus is unclear. These proposals may have a material impact on the Issuer's operations and financial condition, including that the Issuer may be required to issue additional capital or eligible liabilities.

The exercise or any indication or actual or perceived increase in the likelihood that Securities will become subject to any of the powers described in this risk factor could have an adverse effect on the market price of the relevant Securities.

In addition, any CET1 instruments or other types of capital instruments that holders may acquire pursuant to the exercise of any of the powers described in this risk factor may themselves be subject to the powers described in this risk factor.

a. Recovery and resolution plans

The Issuer is required to draw up and maintain a recovery plan. This plan must provide for a wide range of measures that could be taken by the Issuer for restoring its financial condition in case it significantly deteriorated. The Issuer must submit the plan to the competent supervisory authority for review and update the plan annually or after changes in the legal or organisational structure, business or financial situation that could have a material effect on the recovery plan. Keeping the recovery plan up to date will require monetary and management resources.

The SRB will draw up the Issuer's resolution plan providing for resolution actions it may take if the Issuer would fail or would be likely to fail. In drawing up the Issuer's resolution plan, the SRB will identify any material impediments to the Issuer's resolvability. Where necessary, the resolution authorities may require the Issuer to remove such impediments. This may lead to mandatory legal restructuring of the Issuer, which could lead to high transaction costs, or could make the Issuer's business operations or its funding mix to become less optimally composed or more expensive. Although the Issuer is the Group's designated resolution entity, the SRB may also require the Issuer to issue additional liabilities at different levels of the Group. This may result in higher capital and funding costs for the Issuer, and as a result adversely affect the Issuer's profits and its possible ability to pay dividends and/or interest on the Securities.

b. Early intervention

If the Issuer would infringe or, due to a rapidly deteriorating financial condition, would be likely to infringe capital or liquidity requirements in the near future, the supervisory authorities will have the power to impose early intervention measures. A rapidly deteriorating financial condition could, for example, occur in case of a deterioration of the Issuer's liquidity situation, increasing level of leverage and non-performing loans. Intervention measures include the power to require changes to the legal or operational structure of the institution, changes to the institutions' business strategy and the power to require the Issuer's Board of Directors to convene a meeting of shareholders, set the agenda and require certain decisions to be considered for adoption by the general meeting.

c. (Pre-)Resolution measures

If the Issuer were to reach a point of non-viability (on a solo or consolidated basis), the SRB could take pre-resolution measures before the conditions for resolution set out in Article 32 BRRD are met. These measures include the write-down and cancellation of shares, and the write-down of capital instruments (such as the Securities) or conversion of capital instruments into shares (the "**Write Down and Conversion Power**"). The purpose of the Write Down and Conversion Power is to ensure that the Tier 1 and Tier 2 capital instruments of the Issuer (including the Securities) fully absorb losses if the Issuer were to reach a point of non-viability (on a solo or consolidated basis) before any resolution action (including the use of the Bail-In Tool) is taken. A write-down of capital instruments or conversion of capital instruments into shares could adversely affect the rights and effective remedies of holders of Securities and the market value of their Securities could be negatively affected.

The BRRD provides resolution authorities with broader powers to implement resolution measures with respect to banks which meet the conditions for resolution, which may include (without limitation) the sale of the bank's business, the separation of assets, the Bail-In Tool, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments.

These powers and tools are intended to be used prior to the point at which any insolvency proceedings with respect to the Issuer could have been initiated. Although the applicable legalisation provides for conditions to the exercise of any resolution powers and EBA guidelines set out the objective elements for determining whether an institution is failing or likely to fail, it is uncertain how the relevant resolution authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer and in deciding whether to exercise a resolution power. The relevant resolution authority is also not required to provide any advance notice to the holders of its decision to exercise any resolution power. Therefore, the holders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the holders' rights under the Securities.

When applying the resolution tools and exercising the resolution powers, including the preparation and implementation thereof, the resolution authorities are not subject to (i) requirements to obtain approval or consent from any person either public or private, including but not limited to the holders of shares or debt instruments, or from any other creditors, and (ii) procedural requirements to notify any person including any requirement to publish any notice or prospectus or to file or register any document with any other authority, that would otherwise apply by virtue of applicable law, contract, or otherwise. In particular, the resolution authorities

can exercise their powers irrespective of any restriction on, or requirement for consent for, transfer of the financial instruments, rights, assets or liabilities in question that might otherwise apply.

The SRB can only exercise resolution powers, such as the Bail-In Tool, when it has determined that the Issuer meets the conditions for resolution. The point at which the SRB determines that the Issuer meets the conditions for resolution is defined as:

(i) the Issuer is failing or likely to fail, which means (a) the Issuer has incurred/is likely to incur in the near future losses depleting all or substantially all its own funds, and/or (b) the assets are/will be in the near future less than its liabilities, and/or (c) the Issuer is/will be in the near future unable to pay its debts as they fall due, and/or (d) the Issuer requires public financial support (except in limited circumstances);

(ii) there is no reasonable prospect that a private action or supervisory action would prevent the failure; and

(iii) a resolution action is necessary in the public interest.

Once it is determined that the Issuer meets the conditions for resolution, the SRB may apply the Bail-In Tool. When applying the Bail-In Tool, the SRB must apply the following order of priority as set out in Article 48 BRRD:

1. CET1 capital instruments;
2. Additional Tier 1 Capital Instruments (such as the Securities);
3. Tier 2 Capital Instruments;
4. eligible liabilities in the form of subordinated debt that is not Additional Tier 1 Capital or Tier 2 Capital in accordance with the hierarchy of claims in normal insolvency proceedings;
5. the rest of eligible liabilities (such as senior debt instruments) in accordance with the hierarchy of claims in normal insolvency proceedings.

Instruments of the same ranking are generally written down or converted to equity on a pro rata basis subject to certain exceptional circumstances set out in the BRRD.

On 10 July 2013, the European Commission announced the adoption of its temporary state aid rules for assessing public support to financial institutions during the crisis (the "**Revised State Aid Guidelines**"). The Revised State Aid Guidelines impose stricter burden-sharing requirements, which require banks with capital needs to obtain additional contributions from equity holders and capital instrument holders before resorting to public recapitalisations or asset protection measures. The European Commission has applied the principles set out in the Revised State Aid Guidelines from 1 August 2013. The European Commission has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in the BRRD.

The provisions of the Belgian Banking Law relating to the powers of the supervisory and resolution authorities (as amended from time to time), the BRRD, the SRM and the Revised State Aid Guidelines may increase the Issuer's cost of funding and thereby have an adverse impact on the Issuer's funding ability, financial position and results of operations. Therefore, in case of a capital shortfall, the Issuer would first be required to carry out all possible capital raising

measures by private means, including the conversion of subordinated debt (including the Securities) into equity, before being eligible for any kind of restructuring State aid.

It is possible that pursuant to the provisions of the Belgian Banking Law relating to the powers of the supervisory and resolution authorities (as amended from time to time), the BRRD, the SRM, the Revised State Aid Guidelines or other resolution or recovery rules which may in the future be applicable to the Issuer (including, but not limited to, CRD IV), new powers may be granted by way of statute to the Competent Authority which could be used in such a way as to result in debt, including the Securities, absorbing losses or otherwise affecting the rights and effective remedies of holders in the course of any resolution of the Issuer. The Issuer is unable to predict what effects, if any, existing or future powers may have on the financial system generally, the Issuer's counterparties, the Issuer, any of its consolidated subsidiaries, its operations and/or its financial position.

Exercise of the foregoing powers could involve taking various actions in relation to the Issuer or any securities issued by the Issuer (including the Securities) without the consent of the holders in the context of which any termination or acceleration rights or events of default may be disregarded. In addition, holders will have no further claims in respect of any amount written off, converted or otherwise applied as a result thereof. There can be no assurance that the taking of any such actions would not adversely affect the rights of holders, the price or value of their investment in the Securities and/or the ability of the Issuer to satisfy its obligations under the Securities.

Holders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant resolution authority to exercise its (pre-)resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise. Application of any of the measures, as described above, shall not constitute an event of default under the Securities and holders will have no further claims in respect of the amount so written down or subject to conversion or otherwise as a result of the application of such measures. Accordingly, if the Bail-In Tool or the Write-Down and Conversion Power is applied, this may result in claims of holders being written down or converted into equity. In addition, even in circumstances where a claim for compensation is established under the 'no creditor worse off' safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the holders in the resolution of the Issuer and there can be no assurance that holders would recover such compensation promptly.

The provisions of the Belgian Banking Law relating to the powers of the supervisory and resolution authorities (as amended from time to time), the BRRD, the SRM and the Revised State Aid Guidelines could negatively affect the position of holders and the credit rating attached to the Securities, in particular if and when any of the above proceedings would be commenced against the Issuer, since the application of any such legislation may affect the rights and effective remedies of the holders as well as the market value of the Securities.

d. Statutory Loss Absorption

With a view to the developments described above, the Terms and Conditions of the Securities stipulate that the Securities may become subject to the determination by the relevant resolution authority or the Issuer (following instructions from the relevant resolution authority) that all or part of the principal amount of the Securities, including accrued but unpaid interest in respect thereof, must be written off or converted into CET1 instruments or other types of capital instruments or otherwise be applied to absorb losses, all as prescribed by the Statutory Loss

Absorption Powers ("**Statutory Loss Absorption**"). See Condition 16 (*Contractual Recognition of Power under the Bank Recovery and Resolution Directive*).

Upon any such determination, (i) the relevant proportion of the outstanding nominal amount of the Securities subject to the Statutory Loss Absorption Powers shall be written off or converted into CET1 instruments or other types of capital instruments or otherwise be applied to absorb losses, as prescribed by the Applicable Resolution Framework, (ii) investors will have no further rights or claims in respect of the amount so written off or subject to conversion or otherwise as a result of such Statutory Loss Absorption and (iii) such Statutory Loss Absorption shall not constitute a default nor entitle investors to take any action to cause the dissolution or liquidation of the Issuer.

Any written off amount as a result of Statutory Loss Absorption shall be irrevocably lost and investors will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to Statutory Loss Absorption.

In addition, the Terms and Conditions of the Securities stipulate that, subject to the determination by the relevant resolution authority and without the consent of the investors, the Securities may be subject to other resolution measures as envisaged under by the Statutory Loss Absorption Powers; that such determination, the implementation thereof and the rights of investors shall be as prescribed by the Statutory Loss Absorption Powers, which may, *inter alia*, include the concept that, upon such determination no investor shall be entitled to claim any indemnification arising from any such event and that any such event shall not constitute an event of default or entitle the holders to take any action to cause the dissolution or liquidation of the Issuer.

The determination that all or part of the nominal amount of the Securities will be subject to Statutory Loss Absorption may be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control. Accordingly, trading behaviour in respect of Securities which are subject to Statutory Loss Absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication or actual or perceived increase in the likelihood that Securities will become subject to Statutory Loss Absorption could have an adverse effect on the market price of the relevant Securities. Potential investors should consider the risk that they may lose all of its investment in such Securities, including the principal amount plus any accrued but unpaid interest, in the event that Statutory Loss Absorption occurs.

10. No scheduled redemption

The Securities are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Securities at any time (see Condition 5 (*Redemption and Purchase*)); although the Terms and Conditions of the Securities include several options for the Issuer to redeem the Securities, there is no contractual incentive for the Issuer to exercise any of these call options and the Issuer has full discretion under the Terms and Conditions of the Securities not to do so for any reason. There will be no redemption at the option of investors.

This means that holders of Securities have no ability to cash in their investment, except:

(i) if the Issuer exercises its rights to redeem or purchase the Securities;

(ii) by selling their Securities; or

(iii) by claiming for any principal amounts due and not paid in any dissolution or liquidation (other than as set out in the Terms and Conditions of the Securities) of the Issuer.

Accordingly there is uncertainty as to when (if ever) an investor in the Securities will receive repayment of the Prevailing Principal Amount of the Securities.

11. The Securities are subject to optional early redemption on the First Call Date (16 April 2025), each Interest Payment Date thereafter or at any time upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event, subject to certain conditions

The Issuer may, at its option, redeem all, but not some only, of the Securities on the First Call Date or on each Interest Payment Date thereafter (the "**Issuer Call Option**"), or at any time upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event, in each case at (subject to the final sentence of this paragraph) their Prevailing Principal Amount plus accrued and unpaid interest (if any and excluding interest which has been cancelled in accordance with the Terms and Conditions). Any such redemption shall be subject to Condition 5.5 (*Conditions to Redemption and Purchase*) which provides, among other things, that (i) the Competent Authority must give its prior approval (if required) and (ii) the Issuer must comply with Applicable Banking Regulations. As at the date of this Prospectus, the Issuer must demonstrate to the satisfaction of the Competent Authority that the Issuer complies with Article 78 CRR (or any equivalent or substitute provision under Applicable Banking Regulations), which may include (a) the replacement of the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or (b) that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum own funds requirements (including any capital buffer requirements) by a margin (calculated in accordance with Article 104(3) CRD) that the Competent Authority considers necessary at such time. Also, the Issuer shall have the right to redeem the Securities following a Principal Write-down upon the occurrence of a Tax Gross-up Event, a Tax Deductibility Event or of a Regulatory Event before the Prevailing Principal Amount has been restored to the Original Principal Amount. Accordingly, holders risk only receiving the amount of principal so reduced by the Principal Write-down. However, if a Principal Write-down has occurred, the Issuer shall not be entitled to redeem the Securities by exercising the Issuer Call Option until the reduced principal amount of the Securities is increased up to their Original Principal Amount pursuant to conditions for Principal Write-up.

An optional redemption feature is likely to limit the market value of the Securities. During any period when the Issuer may elect, or in case of an actual or perceived increased likelihood that the Issuer may elect, to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. In addition, investors will not receive any make-whole amount or any other compensation in the event of any early redemption of Securities.

It is not possible to predict whether any of the circumstances mentioned above will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Securities, and if so, whether or not the Issuer will elect to exercise such option to redeem the Securities.

If the Issuer redeems the Securities in any of the circumstances mentioned above, there is a risk that the Securities may be redeemed at times when the redemption proceeds are less than the current market value or the Original Principal Amount of the Securities or when prevailing interest rates may be relatively low, in which latter case investors may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

12. There is variation or substitution risk in respect of the Securities

The Issuer may if a Tax Gross-up Event, a Tax Deductibility Event or a Regulatory Event has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 16 of the

Securities, subject to compliance with any conditions prescribed under Applicable Banking Regulations, including the prior permission of the Competent Authority if required at the relevant time, but without any requirement for the consent or approval of the holders, substitute the Securities or vary the terms of the Securities provided that they remain or, as appropriate, become compliant with Applicable Banking Regulations with respect to Additional Tier 1 Capital and that such substitution or variation shall not result in terms that are (other than in respect of the effectiveness and enforceability of Condition 16 of the Securities) materially less favourable to the holders (as reasonably determined by the Issuer). Following such variation or substitution the resulting securities must have, inter alia, at least the same ranking and interest rate and the same interest payment dates, redemption rights, existing rights to accrued interest which has not been paid and assigned at least the same ratings as the Securities (unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 16). Nonetheless, no assurance can be given as to whether any of these changes will negatively affect any particular investor. In addition, the tax and stamp duty consequences of holding such varied or substituted Securities could be different for some categories of investors from the tax and stamp duty consequences of their holding the Securities prior to such variation or substitution. See Condition 6 (*Substitution and Variation*) of the Terms and Conditions of the Securities.

The Competent Authority has discretion as to whether or not it will approve any substitution or variation of the Securities, if such permission is prescribed under the then Applicable Banking Regulations. Any such substitution or variation which is considered by the Competent Authority to be material shall be treated by it as the issuance of a new instrument. Therefore, the Securities, as so substituted or varied, must be eligible as Additional Tier 1 Capital in accordance with the then prevailing Applicable Banking Regulations, which may include a requirement that (save in certain prescribed circumstances) the Securities may not be redeemed or repurchased prior to five years after the effective date of such substitution or variation.

13. The Securities are subject to modification, waivers and substitution

The Terms and Conditions of the Securities contain provisions for convening meetings of holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

The Terms and Conditions of the Securities also provide that the Agent may, without the consent of holders, agree to (i) any modification (not being a modification in respect of which an increased quorum is required) of the Agency Agreement which is not materially prejudicial to the interests of holders or (ii) any modification of the Securities or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law.

It is possible that any modified or substitution Securities will contain Conditions that are contrary to the investment criteria of certain investors. Any resulting sale of the Securities, or of the modified or substitution securities, may be adversely affected by market perception of and price movements in the terms of the modified or substitution securities.

14. The Terms and Conditions of the Securities do not provide for events of default allowing acceleration of the Securities

The Terms and Conditions of the Securities do not provide for events of default allowing acceleration of the Securities if certain events occur, for example if the Issuer fails to pay any amount of interest or principal when due. Also, the Securities cannot cross default based on non-payment on other securities, except where such non-payment on other securities itself results in the winding-up of the Issuer.

Accordingly, if the Issuer fails to meet any obligation under the Securities, including the payment of interest or the Prevailing Principal Amount of the Securities following the exercise of a right to redeem the Securities as referred in Condition 5 (*Redemption and Purchase*), such failure will not give the holder any right to accelerate the Securities. Accrued but unpaid interest will be deemed cancelled (see the risk factor "*The Issuer may elect not to pay interest on the Securities or in certain circumstances be required not to pay such interest*"). The sole remedy available to the holder for recovery of amounts owing in respect of due but unpaid Prevailing Principal Amount will be to institute proceedings for the dissolution or liquidation of the Issuer (see Condition 10 (*Enforcement*)). Holders have limited power to invoke the dissolution or liquidation of the Issuer and will be responsible for taking all steps necessary for submitting claims in any dissolution or liquidation relation to any claims they may have against the Issuer.

No holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities.

15. A reset of the interest rate could affect the market value of an investment in the Securities

The Rate of Interest of the Securities will be reset as from the First Call Date and as from each date which falls five, or an integral multiple of five, years after the First Call Date. Such Rate of Interest will be determined two Business Days prior to the relevant reset date and as such is not pre-defined at the date of issue of the Securities; it may be lower than the Initial Rate of Interest and may adversely affect the yield or market value of the Securities.

16. Future discontinuance of EURIBOR may adversely affect the value of the Securities

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. Whilst the announcement related to LIBOR, similar concerns may be applicable to EURIBOR. The Financial Stability also made certain recommendations to reform major interest rate benchmarks, such as key interbank offered rates. It is not possible to predict whether, and to what extent, banks will continue to provide EURIBOR submissions to the administrator of EURIBOR going forwards.

The ECB and other European authorities have discussed proposals for alternative benchmarks. For example, the ECB announced plans for a new overnight rate for interbank unsecured lending among Euro-area banks in September 2017. The impact of such an overnight rate on six-month EURIBOR is currently unclear.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Securities for the period from (and including) the First Call Date is based on a reset mid-swap rate and will be determined for each relevant Reset Period by the fall-back provisions applicable to the Securities. This may in certain circumstances result in the effective application of a fixed rate based on the rate which was last observed on the relevant Screen Page. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on the Securities.

17. Change of law and jurisdiction may impact the Securities

a. Change of law

The Terms and Conditions of the Securities are, save to the extent referred to Condition 14, based on English law in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to English or Belgian law or administrative practice after the date of issue of the Securities.

In addition, any relevant tax law or practice applicable as at the date of this Prospectus may change at any time (including following the issuance of the Securities).

Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss absorption tools which may affect the rights of holders of securities issued by the Issuer, including the Securities. Any such change may have an adverse effect on a holder, including that the Securities 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 holder may be less favourable than otherwise expected by such holder.

b. Jurisdiction

Prospective investors should note that the courts of England shall have jurisdiction in respect of any disputes involving the Securities. Holders may take any suit, action or proceedings arising out of or in connection with the Securities against the Issuer in any court of competent jurisdiction.

18. Reliance on the procedures of the NBB-SSS and its participants

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

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

Neither the Issuer, nor any Joint Lead Manager or any Paying Agent will have any responsibility for the proper performance by the NBB-SSS or the NBB-SSS participants of their obligations under their respective rules and operating procedures.

A Holder must rely on the procedures of the NBB-SSS, and the relevant NBB-SSS participant to receive payments under the Securities. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Securities within the NBB-SSS.

19. Securities may be held only by Eligible Investors

The Securities may only be held by, and may only be transferred to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 holding their Securities in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS operated by the NBB.

20. Each investor in the Securities must act independently as they do not have the benefit of a trustee

Because the Securities will not be issued pursuant to an indenture or trust deed, investors in the Securities will not have the benefit of a trustee to act upon their behalf and each investor will be responsible for acting independently with respect to certain matters affecting such interests in the Securities, including accelerating the Securities upon the occurrence of an event described in Condition 10 (*Enforcement*), and responding to any requests for consents, waivers or amendments.

21. Taxation

Potential purchasers and sellers of the Securities should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred, where the investors are resident for tax purposes and/or other jurisdictions.

In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Securities. Among other matters, there may be no authority addressing whether a holder would be entitled to a deduction for loss at the time of a Principal Write-down. A holder may, for example, be required to wait to take a deduction until it is certain that no Principal Write-up can occur, or until there is an actual or deemed sale, exchange or other taxable disposition of the Securities. It is also possible that, if a holder takes a deduction at the time of a Principal Write-down, it may be required to recognise a capital or income gain at the time of a future Principal Write-up.

Further, the statements in relation to taxation set out in this Prospectus are based on current law and the practice of the relevant authorities in force or applied at the date of this Prospectus. Potential investors should be aware that any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase of the Securities may change at any time (including following the issuance of the Securities)). Any such change may have an adverse effect on a holder, including that the liquidity of the Securities may decrease and/or the amounts payable to or receivable by an affected holder may be less than otherwise expected by such holder.

Potential investors are advised not to rely solely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Securities. Only such adviser is in a position to duly consider the specific situation of the potential investor. This risk factor should be read in connection with the taxation sections of this Prospectus. See section "*Taxation*" below.

22. Belgian withholding tax

Currently, no Belgian withholding tax will be applicable to the interest on the Securities held by an Eligible Investor in an exempt securities account (an "**X Account**") in the NBB-SSS, as further described in "*Taxation*".

If the Issuer, the NBB, the Paying Agents or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Securities, the Issuer, the NBB, the relevant Paying Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

In particular, the Securities do not provide for payments of principal to be grossed up in the event that any present or future tax, duty, assessment or governmental charge of whatever nature would be imposed on repayments of principal, as further described in the risk factor below. Further, potential investors should be aware that pursuant to Condition 8 (*Taxation*), the Issuer will not be obliged to pay any additional amounts (i) to, or to a third party on behalf of, a holder who is liable for such Taxes in respect of such Security by reason of its having some connection with the Kingdom of Belgium other than the mere holding of such Security; (ii) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in

the place where the relevant Security is presented for payment; (iii) to a holder who, at the time of issue of the Securities, was not an Eligible Investor or to a holder who was such an Eligible Investor at the time of the issue of the Securities but, for reason within the holder's control, either ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Securities, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian law of 6 August 1993 relating to transactions in certain securities; (iv) to a holder who is liable to such Taxes because the Securities were upon its request converted into registered Securities and could no longer be cleared through the NBB-SSS; or (v) if and to the extent that (x) the Issuer does not have sufficient available Distributable Items to make such payment, and/or (y) such payment would cause the Maximum Distributable Amount (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded, if required to be calculated at such time.

23. Limitation on gross-up obligation under the Securities

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of the Securities applies only to payments of interest due and paid under the Securities and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of the Securities to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Securities, holders may receive less than the full amount due under the Securities, and the market value of the Securities may be adversely affected.

24. 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.

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 advised to seek their own professional advice in relation to the FTT.

25. Tax consequences of holding the Securities may be complex

Potential purchasers and sellers of the Securities should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Securities are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Securities. Potential investors are advised not to rely solely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Securities. Only such adviser is in a position to duly consider the specific situation of the potential investor. This risk factor should be read in connection with the taxation sections of this Prospectus. See section "*Taxation*".

26. Common Reporting Standard – Exchange of information

The EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "**EU Savings Directive**") requires each Member State as from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest and other similar income (within the meaning of the EU Savings Directive) made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such paying agent for, an individual resident or certain types of entity (as defined in the article 4.2 of the EU Savings Directive) established in that other Member State. However, for a transitional period, Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The exchange of information is, in the near future, expected to be governed by the Common Reporting Standard ("**CRS**"). On 29 October 2014, 51 jurisdictions indeed signed the multilateral competent authority agreement ("**MCAA**"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 40 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (early adopters).

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

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

On 10 November 2015, the Council of the European Union adopted a Directive which repealed the 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 will replace the agreement on the taxation of savings that entered into force in 2005. If a payment were to be made or collected through a paying agent in Austria before the end of the transitional period or the implementation of the rules provided under DAC2 or in certain third countries or dependent associated territories of certain Member States, and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax.

The Belgian government has implemented DAC2 and 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.

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of income year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of income year 2014 (first information exchange in 2016) towards the US and (iii), with respect to any other non-EU States that have signed the MCAA, as of income year 2016 (first information exchange in 2017) for a first list of 18 countries and as of income year 2017 (first information exchange in 2018) for a second list of 44 countries.

27. Holders may be subject to withholding tax under FATCA

Under sections 1471-1474 of the United States Internal Revenue Code of 1986 enacted by the United States as part of the HIRE Act in March 2010 (commonly referred to as Foreign Account Tax Compliance Act ("**FATCA**")), payments may be subject to withholding if the payment is either US source, or a foreign pass thru payment. Belgium has concluded an agreement with the United States of America to Improve International Tax Compliance and to Implement FATCA, a so-called IGA. Under this agreement, parties are committed to work together, along with other jurisdictions that have concluded an IGA, to develop a practical and effective alternative approach to achieve the FATCA objectives of foreign pass thru payment and gross proceeds withholding that minimises burden. The Issuer is established and resident in Belgium and therefore benefits from this IGA.

If an amount in respect of FATCA withholding tax were to be deducted or withheld from any payments on the Securities, neither the Issuer nor any paying agent would be required to pay any additional amounts as a result of the deduction or withholding of such tax. As a result, investors who are non-US financial institutions ("**FFI**") that have not entered into an FFI agreement (or otherwise established an exemption from withholding under FATCA), investors that hold Securities through such FFIs or investors that are not FFIs but have failed to provide required information or waivers to an FFI may be subject to withholding tax for which no additional amount will be paid by the Issuer. Holders should consult their own tax advisers on how these rules may apply to payments they receive under the Securities.

28. Legality of purchase

Neither the Issuer nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Securities by a prospective investor in the Securities, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it. Certain of the Joint Lead Managers are also required to comply with the rules set out in the UK's Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 and as a result of this compliance, prospective investors will be required to give the representations, warranties, agreements and undertakings as set out on pages 146 to 148 of this Prospectus.

29. 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) Securities are legal investments for it, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

30. An investor's actual yield on the Securities may be reduced from the stated yield by transaction costs

When Securities 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 Securities. 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, investors 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), investors must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Securities before investing in the Securities.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

1. A secondary market may not develop for the Securities

If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

The Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that

have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Securities.

Market liquidity in hybrid financial instruments similar to the Securities has historically been limited. In the event a trigger event occurs in relation to an Additional Tier 1 Capital Instrument or interest payments are suspended, potential price contagion and volatility to the entire asset class is possible. Any indication or perceived indication that the Solo CET1 Ratio and/or the Consolidated CET1 Ratio is trending towards the write-down trigger of 5.125 per cent. or the applicable MDA trigger level may have an adverse effect on the market price of the Securities. Similarly, any indication or perceived indication that the amount of Distributable Items available to pay interest on the Securities is decreasing may have an adverse effect on the market price of the Securities. Moreover, the Issuer's discretion regarding the payment of interest significantly increases uncertainty in the valuation of Additional Tier 1 Capital Instruments, this uncertainty might have a negative impact on liquidity and volatility of the Securities.

Moreover, although pursuant to Condition 5.6 (*Purchases*) the Issuer can purchase Securities at any time, the Issuer is not obliged to do so and any such purchase is subject to permission by the Competent Authority. Purchases made by the Issuer could affect the liquidity of the secondary market of the Securities and thus the price and the conditions under which investors can negotiate these Securities on the secondary market.

In addition, investors should be aware of the prevailing and widely reported global credit market conditions, whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Securities in secondary resales even if there is no decline in the performance of the Securities or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities and instruments similar to the Securities at that time.

Although application has been made for the Securities to be listed on Euronext Brussels, there is no assurance that such application will be accepted or that an active trading market will develop.

2. The Securities are subject to exchange rate risks and exchange controls

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

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. The price of Securities is affected by changes in interest rates

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

4. The credit ratings of the Securities or the Issuer may not reflect all risks

Standard & Poor's and Moody's have assigned or are expected to assign an expected rating to the Securities. In addition, each of Standard & Poor's, Moody's and Fitch Ratings has assigned credit ratings to the Issuer. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities or the standing of the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, there is no guarantee that any rating of the Securities and/or the Issuer will be maintained by the Issuer following the date of this Prospectus. If any rating assigned to the Securities and/or the Issuer is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Securities may be reduced.

In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Issuer to rate the Securities may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to the Securities, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Issuer could adversely affect the market value and liquidity of the Securities.

5. The Issuer, the Agent and the Joint Lead Managers may engage in transactions adversely affecting the interests of the holders of Securities

The Agent, the Joint Lead Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Potential investors should be aware that the interests of the Issuer may conflict with the interests of the holders of the Securities. Moreover, investors should be aware that the Issuer, acting in whatever capacity, will not have any obligations vis-à-vis investors and, in particular, it will not obliged to protect the interests of investors. Furthermore, investors should be aware that, in accordance with Article 41(4) of the Commission Delegated Regulation 2017/565 of 25 April 2016, there are significant differences between the Securities and bank deposits in terms of yield, risk, liquidity and deposit guarantee protection. As set out in more detail in this Prospectus, the Securities do not provide for any deposit guarantee protection and have a different yield, risk and liquidity profile than bank deposits.

OVERVIEW OF THE SECURITIES

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

Issuer	Belfius Bank SA/NV ("**Belfius Bank**").
Information relating to the Issuer	Belfius Bank is a limited liability company of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185. Its registered office is at 1000 Brussels, Boulevard Pachécolaan 44, Belgium, telephone +32 22 22 11 11.
Joint Bookrunners and Joint Lead Managers	Belfius Bank SA/NV Citigroup Global Markets Limited J.P. Morgan Securities plc Merrill Lynch International Nomura International plc UBS Limited
Paying and Domiciliary Agent	Belfius Bank, or any other entity appointed from time to time by the Issuer as the Agent pursuant to the terms of the agency agreement dated 1 February 2018 and entered into between the Issuer and the Agent.
Calculation Agent	Belfius Bank, or any other entity appointed from time to time by the Issuer as the calculation agent pursuant to the terms of the agency agreement dated 1 February 2018 and entered into between the Issuer and the calculation agent.
The Securities	EUR 500,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities (the "**Securities**").
ISIN	BE0002582600.
Common Code	176404680.
Issue Price	100 per cent.
Issue Date	1 February 2018.
Maturity Date	The Securities are undated and perpetual.
Denomination	EUR 200,000 and integral multiples thereof.
Form of the Securities	The Securities will be issued in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code via the book-entry system maintained in the records of the National Bank of Belgium as operator of the NBB-SSS.
Status of the Securities	The Securities constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer, ranking *pari*

passu without any preference among themselves. The Securities shall rank:

(a) subject to any obligations which are mandatorily preferred by law, junior to the claims of all unsubordinated creditors;

(b) junior to the rights and claims of holders of all subordinated indebtedness of the Issuer (including Tier 2 Capital Instruments) other than: (i) any Junior Obligations, and (ii) any Parity Securities;

(c) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities; and

(d) senior only to the rights and claims of holders of any class of shares of the Issuer and any obligation that ranks, or is expressed to rank, junior to the Issuer's obligations under the Securities.

Subject to applicable law, no Securityholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Securityholder shall, by virtue of his subscription, purchase or holding of the Securities, be deemed to have waived all such rights of set-off.

Issuer Call Option

Subject to the Conditions for Redemption, the Issuer may redeem all (but not some only) of the Securities on 16 April 2025 (the "**First Call Date**") or any Interest Payment Date thereafter (each an "**Issuer Call Date**") at their Prevailing Principal Amount, together with accrued but unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date fixed for redemption and any additional amount payable in accordance with Condition 8.

The Issuer shall not be entitled to redeem the Securities on an Issuer Call Date if on the relevant redemption date the Prevailing Principal Amount of the Securities is lower than their Original Principal Amount.

"**Prevailing Principal Amount**" means, in respect of a Security at any time, the Original Principal Amount of such Security as reduced by any Principal Write-down of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7 and, if applicable following any Principal Write-down, as subsequently increased by any Principal Write-up of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7.

Conditions for Redemption

Any optional redemption of Securities and any purchase of Securities is subject to the following, in each case only if and to the extent then required by Applicable Banking Regulations:

(a) compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Competent Authority (if required);

(b) in the case of redemption upon the occurrence of a Tax Gross-up Event or a Tax Deductibility Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that (A) the Change in Law was not reasonably foreseeable as at the Issue Date and (B) the relevant change in tax treatment is material; and

(c) in the case of redemption upon the occurrence of a Regulatory Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that the change (or prospective change) in the regulatory classification (or reclassification) of the Securities was not reasonably foreseeable as at the Issue Date.

"**Applicable Banking Regulations**" means, at any time, the laws, regulations, rules, guidelines and policies of the Competent Authority, or of the European Parliament and Council then in effect in Belgium, relating to capital adequacy and applicable to the Issuer at such time (and, for the avoidance of doubt, including as at the Issue Date the rules contained in, or implementing, CRD IV and the rules contained in the Belgian Banking Law).

"**Belgian Banking Law**" means the law of 25 April 2014 on the status and supervision of credit institutions and brokerage firms, as amended or replaced from time to time.

"**Competent Authority**" means the European Central Bank, the National Bank of Belgium, any successor or replacement to or of either of them, or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer, as determined by the Issuer.

Tax Gross-Up Call Option

Subject to certain conditions, as described above under 'Conditions for Redemption', the Issuer may, at its option, redeem the Securities in whole (but not in part) at any time at their Prevailing Principal Amount, together with accrued and unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8, if:

(a) as a result of any change in, or amendment to, the laws or regulations of Belgium, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (a "**Change in Law**"), on the next Interest Payment Date the Issuer has or will become obliged to pay additional amounts as

provided or referred to in Condition 8; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(together, a "**Tax Gross-Up Event**").

Tax Deductibility Call Option

If, as a result of a Change in Law, on the next Interest Payment Date any interest payable by the Issuer in respect of the Securities ceases (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is reduced (a "**Tax Deductibility Event**"), the Issuer may, at its option (but subject to certain conditions as described above under 'Conditions for Redemption'), redeem the Securities in whole (but not in part) at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8.

Regulatory Call Option

The Issuer may, at its option, (but subject to certain conditions as described above under 'Conditions for Redemption') redeem the Securities in whole (but not in part), at any time at their Prevailing Principal Amount, together with accrued and unpaid interest (excluding any interest which has been cancelled in accordance with the Conditions) to but excluding the date of redemption and any additional amounts payable in accordance with Condition 8 upon the occurrence of a Regulatory Event.

A "**Regulatory Event**" means an event that shall be deemed to have occurred if the Issuer determines, in good faith, and after consultation with the Competent Authority, that by reason of a change (or a prospective change which the Competent Authority considers to be sufficiently certain) to the regulatory classification of the Securities, at any time after the Issue Date, the Securities cease (or would cease), in whole or in part, to be included in or count towards the Additional Tier 1 Capital of the Issuer on a solo and/or consolidated basis (having so counted prior to the Regulatory Event occurring). For the avoidance of doubt, a Regulatory Event shall not be deemed to have occurred in case of a partial exclusion of the Securities as a result of (i) a Principal Write-down or (ii) a change in the regulatory assessment of the tax effects of a Principal Write-down.

Substitution and Variation

If a Regulatory Event, a Tax Gross-up Event or a Tax-Deductibility Event (each a "**Special Event**") has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 16, the Issuer may, at its option, without any requirement for the consent or approval of the Securityholders, substitute all (but not some only) of the Securities or vary the terms of all (but not some only) of the Securities so that they become or remain (as the case may be)

Qualifying Securities.

Any substitution or variation of the Securities pursuant to the Conditions is subject to compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Competent Authority (if required).

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

(a) that:

(A) contain terms which at such time comply with the then current requirements of the Competent Authority in relation to Additional Tier 1 Capital (which, for the avoidance of doubt, may result in such securities not including, or restricting for a period of time the application of, one or more of the Special Event redemption events which are included in the Securities);

(B) carry the same rights to redeem as set out in Condition 5.2 and the same rate of interest from time to time applying to the Securities prior to the relevant substitution or variation;

(C) rank *pari passu* with the Securities prior to the substitution or variation;

(D) shall not at the time of the relevant variation or substitution be subject to a Special Event;

(E) where the Securities had a solicited published rating from a rating agency immediately prior to the relevant substitution or variation, each such rating agency has ascribed or announced its intention to ascribe at least the same published rating to the relevant securities unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 16; and

(F) other than in respect of the effectiveness and enforceability of Condition 16, have terms not materially less favourable to the holders than the terms of the Securities, as reasonably determined by the Issuer, and provided that the Issuer shall have delivered to the Agent a certificate to that effect signed by two of its Directors; and

(b) that if (A) the Securities were listed or admitted to trading on a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on a Regulated Market or (B) if the Securities

were listed or admitted to trading on a recognised stock exchange other than a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in either case as selected by the Issuer.

Interest

The Securities bear interest on their outstanding Prevailing Principal Amount at:

(a) from (and including) the Issue Date, to (but excluding) the First Call Date, a fixed rate of 3.625 per cent. per annum; and

(b) in the case of each Interest Period which commences on or after the First Call Date, the sum, converted from an annual basis to a semi-annual basis, of (A) the Mid-Swap Rate applicable to the Reset Period in which that Interest Period falls and (B) the Margin as determined by the Calculation Agent.

The Mid-Swap Rate shall be determined by reference to Reuters Screen Page "ICESWAP2", subject to the fallback and other provisions set out in the Conditions.

Subject to cancellation of any interest payment (in whole or in part) pursuant to Condition 3.2, interest shall, save in respect of the first short Interest Period, be payable semi-annually in arrear in equal instalments on each Interest Payment Date. The first Interest Period shall be a short interest period from (and including) the Issue Date to (but excluding) the first Interest Payment Date.

Interest cancellation

The Issuer may, in its sole discretion, elect to cancel any Interest Payment (in whole or in part) which is scheduled to be paid on an Interest Payment Date.

Furthermore, the Issuer shall cancel (in whole or in part, as applicable) any Interest Payment otherwise due on an Interest Payment Date if and to the extent that:

(a) the payment of such Interest Payment, when aggregated with any interest payments or distributions which have been paid or made or which are required to be paid or made on other own funds items in the then current financial year (excluding any such interest payments or distributions which (A) are not required to be made out of Distributable Items or (B) have already been provided for, by way of deduction, in the calculation of Distributable Items), would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded;

(b) the payment of such Interest Payment would cause,

when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive), the Maximum Distributable Amount (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded; or

(c) the Competent Authority orders the Issuer to cancel the payment of interest.

Interest Payments (or any part thereof) not paid on any relevant Interest Payment Date by reason of any of the above shall be cancelled and shall not accumulate or be payable at any time thereafter. Non-payment of any Interest Payment (or part thereof) in accordance with any of the above will not constitute an event of default by the Issuer for any purpose or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever, will not entitle holders to petition for the insolvency or dissolution of the Issuer and the Securityholders shall have no right to the Interest Payment (or part thereof) not paid whether in a bankruptcy (*failissement/faillite*) or dissolution, as a result of the insolvency of the Issuer or otherwise.

See Condition 3.2 in "*Terms and Conditions of the Securities*".

Trigger Event

A "**Trigger Event**" will occur if, at any time, either the Solo CET1 Ratio or the Consolidated CET1 Ratio is less than 5.125 per cent. as determined by the Issuer, the Competent Authority or any entity appointed by or acting on behalf of the Competent Authority.

See Condition 7 in "*Terms and Conditions of the Securities*".

Principal Write-down

Upon the occurrence of a Trigger Event, a Principal Write-down will occur.

On a Trigger Event Write-down Date, the Issuer shall:

(a) irrevocably cancel all interest accrued on each Security up to (and including) the Trigger Event Write-down Date (whether or not the same has become due at such time); and

(b) irrevocably, but without prejudice to any Principal Write-up (as described below under "Principal Write-up"), reduce the then Prevailing Principal Amount of each Security by the relevant Write-down Amount pro rata and concurrently with the Principal Write-down of the other Securities and the write-down or conversion into equity (as the case may be) of the then prevailing principal amount of any other Loss Absorbing Instruments.

"**Write-down Amount**" means, on any Trigger Event Write-

down Date, the amount by which the then Prevailing Principal Amount of each outstanding Security is to be Written Down and which is calculated per Security, being the lower of:

(a) the amount per Security (together with, subject to Condition 7.1(e), the concurrent *pro rata* Principal Write-down of the other Securities and the write-down or conversion into equity of the prevailing principal amount of any other Loss Absorbing Instruments) that would be sufficient to immediately restore the Solo CET1 Ratio and the Consolidated CET1 Ratio to at least 5.125 per cent.; or

(b) the amount necessary to reduce the Prevailing Principal Amount of the Security to one cent,

If the Issuer has given a notice of redemption of the Securities pursuant to and, after giving such notice but prior to the relevant redemption date, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed on the scheduled redemption date and, instead, a Principal Write-down shall occur in respect of the Securities.

See Conditions 5.5(c) and 7.1 in "*Terms and Conditions of the Securities*".

Principal Write-up

Subject to compliance with the Applicable Banking Regulations, if both a positive Solo Net Profit and a positive Consolidated Net Profit are recorded at any time while the Prevailing Principal Amount is less than the Original Principal Amount, the Issuer may, at its full discretion and subject to the Maximum Distributable Amount and Maximum Write-up Amount not being exceeded and no Trigger Event having occurred and being continuing, increase the Prevailing Principal Amount of each Security (a "**Principal Write-up**") up to a maximum of its Original Principal Amount, on a *pro rata* basis with the other Securities and with any other Discretionary Temporary Write-Down Instruments capable of being written-up in accordance with their terms.

The "**Maximum Write-Up Amount**" means the lower of:

(a) the Solo Net Profit (i) multiplied by the aggregate issued original principal amount of all Written-Down Additional Tier 1 Instruments which qualify as Additional Tier 1 Capital of the Issuer on a solo basis, and (ii) divided by the Tier 1 Capital of the Issuer calculated on a solo basis as at the date when the Principal Write-up is operated; and

(b) the Consolidated Net Profit (i) multiplied by the aggregate issued original principal amount of all

Written-Down Additional Tier 1 Instruments which qualify as Additional Tier 1 Capital of the Issuer on a consolidated basis, and (ii) divided by the Tier 1 Capital of the Issuer calculated on a consolidated basis as at the date when the Principal Write-up is operated.

"**Discretionary Temporary Write-Down Instrument**" means, at any time, any instrument (other than the Securities) issued directly or indirectly by the Issuer which at such time (a) qualifies as Additional Tier 1 Capital of the Issuer on a solo or consolidated basis, (b) has had all or some of its principal amount written-down and (c) has terms providing for a write-up or reinstatement of its principal amount, at the relevant issuer's discretion, upon reporting a net profit.

"**Written-Down Additional Tier 1 Instrument**" means, at any time, any instrument (including the Securities) issued directly or indirectly by the Issuer which, immediately prior to the relevant Principal Write-up of the Securities at that time, has a prevailing principal amount that, due to it having been written down, is lower than the original principal amount it was issued with.

See Condition 7 in "*Terms and Conditions of the Securities*".

Clearing System

The NBB-SSS. Access to the NBB-SSS is available through those of the participants in the NBB-SSS whose membership extends to securities such as the Securities. Participants in the NBB-SSS include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking, S.A., ("**Clearstream, Luxembourg**"), SIX SIS AG ("**SIX SIS**") and Monte Titoli S.p.A. ("**Monte Titoli**"). Accordingly, the Securities will be eligible to clear through, and therefore be accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and investors can hold their interests in the Securities within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

Ratings

The Securities have been or are expected to be rated BB by Standard & Poor's and Ba2 by Moody's.

Each of Standard & Poor's and Moody's is established in the European Union and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the ESMA website (http://www.esma.europa.eu/).

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Withholding Tax

All payments of principal and/or interest by or on behalf of the Issuer in respect of the Securities will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In such event, the Issuer shall pay such additional amounts ("**Additional Amounts**") in respect of Interest Payments (but not, for the avoidance of doubt, in respect of payments of principal) as shall result in receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Security:

(a) **Other Connection:** to, or to a third party on behalf of, a holder who is liable for such Taxes in respect of such Security by reason of its having some connection with the Kingdom of Belgium other than the mere holding of such Security; or

(b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Security is presented for payment; or

(c) **Non-Eligible Investor:** to a holder who, at the time of issue of the Securities, was not an Eligible Investor or to a holder who was such an Eligible Investor at the time of the issue of the Securities but, for reason within the holder's control, either ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Securities, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian law of 6 August 1993 relating to transactions in certain securities; or

(d) **Conversion into registered securities**: to a holder who is liable to such Taxes because the Securities were upon its request converted into registered Securities and could no longer be cleared through the NBB-SSS; or

(e) **Available Distributable Items and compliance with the Maximum Distributable Amount**: if and to the extent that (i) the Issuer does not have sufficient Distributable Items to make such payment, or (ii) such payment would cause the Maximum Distributable Amount (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded, if required to be calculated at such time.

See "*Terms and Conditions of the Securities – Taxation*", "*Common reporting Standard – Exchange of information*" and "*Taxation on the Securities*".

Governing Law	The Securities (and any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with English law, save that Conditions 1, 2 and 12 (and any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, Belgian law.
Listing and Admission to Trading	Application has been made for the Securities to be listed and to be admitted to trading, as of the Issuer Date, on the regulated market of Euronext Brussels ("**Euronext Brussels**"). Euronext Brussels is a regulated market for the purposes of the Prospectus Directive.
Statutory auditors	Deloitte Reviseurs d'Entreprises SC s.f.d. SCRL, represented by Bernard De Meulemeester and Bart Dewael, Gateway building, Luchthaven Nationaal 1 J, 1930 Zaventem (a member of IBR – IRE *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*).
Selling Restrictions	See "*Subscription and Sale*".
Risk factors	Please see "*Risk factors*" above for further details.
Use of Proceeds	The net proceeds of the issue of the Securities will be used by Belfius Bank for its general corporate purposes.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited consolidated accounts of Belfius Bank for the years ended 31 December 2015 and 31 December 2016, including the reports of the statutory auditors in respect thereof, and (ii) the unaudited half-yearly report for the period ended 30 June 2017, which are incorporated by reference in this Prospectus.

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

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

The tables below set out the relevant page references for: the (i) consolidated balance sheet, (ii) consolidated statement of income, (iii) consolidated statement of comprehensive income, (iv) consolidated statement of change in equity, (v) consolidated cash flow statement, (vi) notes to the consolidated financial statements, (vii) audit report on the consolidated accounts, (viii) non-consolidated balance sheet, (ix) non-consolidated statement of income, and (x) audit report on the non-consolidated accounts of Belfius Bank as set out in the 2015 and 2016 Annual Reports of Belfius Bank.

The consolidated balance sheet and consolidated statement of income of Belfius Bank can be found in the section "*Description of the Issuer*" of this Prospectus.

	Belfius Bank SA/NV		
	Annual Report 2015	**Annual Report 2016**	**Half-Yearly Report 2017**
	(English version) audited		**(unaudited – condensed)**
Consolidated balance sheet	82	96	44
Consolidated statement of income	84	98	46
Consolidated statement of comprehensive income	85	99	47
Consolidated statement of change in equity	86	100	48
Consolidated cash flow statement	90	104	52
Notes to the consolidated financial statements	91	105	53
Audit report on the consolidated accounts	198	222	94
Non-consolidated balance sheet	202	226	N/A
Non-consolidated statement of income	205	229	N/A
Audit report on the non-consolidated accounts	208	232	N/A

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Conditions of the Securities:

The €500,000,000 Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities (the "**Securities**", which expression shall in these Conditions, unless the context otherwise requires, include any further securities issued pursuant to Condition 13 (*Further issues*) and forming a single series with the Securities) of Belfius Bank SA/NV (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated the Issue Date (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer and Belfius Bank SA/NV as paying agent, calculation agent and fiscal agent (the "**Calculation Agent**" and the "**Agent**" which expressions shall include any successor or replacement Calculation Agent or Agent and, in the case of the Agent, any other paying agents appointed pursuant to the Agency Agreement (the Agent together with any of the paying agents, the "**Paying Agents**")).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders at the specified office of the Paying Agent. The holders are deemed to have notice of all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1 Form, Denomination and Title

The Securities are in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code (the "**Code**"). The Securities 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 "**NBB-SSS**"). The Securities can be held by their holders through the participants in the NBB-SSS, including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), SIX SIS AG ("**SIX SIS**") and Monte Titoli S.p.A. ("**Monte Titoli**"). Accordingly, the Securities will be eligible to clear through, and therefore be accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli or other NBB-SSS participants, and investors can hold their interests in the Securities within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli. The Securities are transferred by account transfer.

Holders are entitled to exercise the rights they have, including but not limited to exercising their voting rights and other associative rights (as defined for the purposes of Article 474 of the Code) against the Issuer upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg or any other participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Securities (or the position held by the financial institution through which their Securities are held with the NBB, Euroclear, Clearstream, Luxembourg or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

For such purposes, each person who is from time to time shown in the records of a participant, sub-participant or the NBB as operator of the NBB-SSS as the holder of a particular amount of Securities shall be treated as the holder of those Securities and any certificate or other document issued by any participant or the NBB shall be conclusive and binding.

The Securities cannot be physically delivered and may not be converted into bearer securities *(effecten aan toonder/titres au porteur)*.

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

The Securities are issued in denominations of EUR 200,000 and can only be settled through the NBB-SSS in nominal amounts equal to a whole denomination (or a whole multiple thereof).

2 Status of the Securities

2.1 Status

The Securities constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The rights and claims of the holders are subordinated as described in Condition 2.2.

2.2 Subordination

In the event of dissolution or liquidation of the Issuer (including the following events creating a competition between creditors (*"samenloop van schuldeisers/concours de créanciers"*): bankruptcy (*"faillissement/faillite"*), judicial liquidation (*"gerechtelijke vereffening/liquidation forcée"*) or voluntary liquidation (*"vrijwillige vereffening/liquidation volontaire"*)) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), the rights and claims of the holders of the Securities against the Issuer in respect of or arising under (including any damages awarded for breach of any obligation under) the Securities shall rank:

(a) subject to any obligations which are mandatorily preferred by law, junior to the claims of all unsubordinated creditors;

(b) junior to the rights and claims of holders of all subordinated indebtedness of the Issuer (including Tier 2 Capital Instruments) other than: (i) any Junior Obligations, and (ii) any Parity Securities;

(c) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities; and

(d) senior only to the rights and claims of holders of any class of shares of the Issuer and any obligation that ranks, or is expressed to rank, junior to the Issuer's obligations under the Securities.

2.3 No set-off

Subject to applicable law, no holder of a Security may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each holder of a Security shall, by virtue of his subscription, purchase or holding of a Security, be deemed to have waived all such rights of set-off.

2.4 Claims subject to Principal Write-down and subsequent Principal Write-up

Any claim of any holder in respect of or arising under the Securities for any amount of principal will be for the Prevailing Principal Amount of such Securities, irrespective of whether the relevant Trigger Event Write-down Notice has been given prior to or after the occurrence of any event described in Condition 10 or any other event.

3 Interest and interest cancellation

3.1 Interest

(a) Interest rate and Interest Payment Dates

The Securities bear interest on their outstanding Prevailing Principal Amount at the applicable Rate of Interest from (and including) the Issue Date. Subject to cancellation of any interest payment (in whole or in part) pursuant to Condition 3.2, interest shall (save as provided below) be payable semi-annually in arrear in equal instalments on each Interest Payment Date.

The amount of interest per €200,000 in Original Principal Amount of the Securities payable on each Interest Payment Date in relation to an Interest Period falling in the Initial Period will, provided there is no Principal Write-down pursuant to Condition 7 and subject to any cancellation of interest (in whole or in part) pursuant to Condition 3.2 and subject as set out below in respect of the first Interest Period, be €3,625.

The first Interest Period shall be a short first Interest Period for the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and the amount of interest per €200,000 in Original Principal Amount of Securities payable on the first Interest Payment Date shall be €1,473.90.

The Calculation Agent will, as soon as practicable after 11:00 a.m. (Central European time) on each Mid-Swap Rate Determination Date, determine the applicable Mid-Swap Rate.

(b) Interest Accrual

Subject always to Condition 7 and to cancellation of interest (in whole or in part) pursuant to Condition 3.2, each Security will cease to bear interest from and including its due date for redemption unless payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment.

In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Security have been paid; and

(ii) the date which is five days after the date on which the full amount of the moneys payable in respect of such Securities has been received by the Agent and notice to that effect has been given to the holders in accordance with Condition 11.

(c) Publication of Mid-Swap Rate and amount of interest

The Calculation Agent will cause each Mid-Swap Rate and the amount of interest payable per Security for each Reset Period commencing on or after the First Call Date determined by it to be notified to each listing authority, stock exchange and/or quotation system (if any) by which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the relevant Reset Date. Notice thereof shall also promptly be given to the holders in accordance with Condition 11.

(d) Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the holders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in

connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(e) Calculation of interest amounts and any broken amounts

Save as provided above in respect of equal instalments, the amount of interest payable per Security (subject to Condition 7 and to cancellation in whole or in part pursuant to Condition 3.2) in respect of each Security for any period (an "**Accrual Period**", being the period from and including the date from which interest begins to accrue to but excluding the date on which it falls due) shall be calculated by the Calculation Agent by:

(i) applying the applicable Rate of Interest to the Security;

(ii) multiplying the product thereof by (A) the actual number of days in the Accrual Period divided by (B) two times the actual number of days in the Interest Period in which the relevant Accrual Period falls; and

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

If the Prevailing Principal Amount of the Securities changes on one or more occasions during any Accrual Period, the Calculation Agent shall separately calculate the amount of interest (in accordance with this Condition 3.1(e)) accrued on each Security for each period within such Accrual Period during which a different Prevailing Principal Amount subsists, and the aggregate of such amounts shall be the amount of interest payable (subject to Condition 7 and to cancellation in whole or in part pursuant to Condition 3.2) in respect of a Security for the relevant Accrual Period.

3.2 Interest cancellation

(a) Optional cancellation of interest

The Issuer may, in its sole discretion (but subject at all times to the requirements for mandatory cancellation of interest payments in Condition 3.2(b)), at any time on or before the relevant Interest Payment Date elect to cancel any Interest Payment, in whole or in part, which is scheduled to be paid on an Interest Payment Date.

(b) Mandatory cancellation of interest

The Issuer shall cancel (in whole or in part, as applicable) any Interest Payment otherwise due on an Interest Payment Date if and to the extent that:

(i) the payment of such Interest Payment, when aggregated with any interest payments or distributions which have been paid or made or which are required to be paid or made on other own funds items in the then current financial year (excluding any such interest payments or distributions which (A) are not required to be made out of Distributable Items or (B) have already been provided for, by way of deduction, in the calculation of Distributable Items), would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded;

(ii) the payment of such Interest Payment would cause, when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive), the Maximum

Distributable Amount (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded; or

(iii) the Competent Authority orders the Issuer to cancel the payment of interest.

Interest payments may also be cancelled in accordance with Condition 7.

As used in these Conditions:

"**Distributable Items**" means, subject as otherwise defined in the Applicable Banking Regulations from time to time:

(i) the amount of the Issuer's profits at the end of the financial year immediately preceding the financial year in which the relevant Interest Payment Date falls plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments of the Issuer; less

(ii) any losses brought forward, profits which are non-distributable pursuant to applicable Belgian law and sums placed to non-distributable reserves in accordance with applicable Belgian law,

those profits, losses and reserves being determined on the basis of the Issuer's non-consolidated accounts; and

"**Maximum Distributable Amount**" means any maximum distributable amount relating to the Issuer on a solo or consolidated basis required to be calculated in accordance with Articles 100 and 101, §1 of the Belgian Banking Law, read together with Article 1 of Schedule V (*Restrictions on distributions*) to the Belgian Banking Law (transposing Article 141(2)(6) of the Capital Requirements Directive).

(c) Notice of cancellation of interest

Upon the Issuer electing (pursuant to Condition 3.2(a)) or determining that it shall be required (pursuant to Condition 3.2(b)) to cancel (in whole or in part) any Interest Payment, the Issuer shall as soon as reasonably practicable give notice to the holders in accordance with Condition 11, specifying the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant Interest Payment that will be paid on the relevant Interest Payment Date; provided, however, that any failure to give such notice shall not affect the validity of the cancellation of any Interest Payment in whole or in part and shall not constitute a default under the Securities for any purpose.

In the absence of such notice being given, the fact of non-payment (in whole or in part) of the relevant Interest Payment on the relevant Interest Payment Date shall be evidence of the Issuer having elected or being required to cancel such Interest Payment in whole or in part, as applicable.

(d) Interest non-cumulative; no event of default

Any Interest Payment (or part thereof) not paid on any relevant Interest Payment Date by reason of Condition 3.2(a), 3.2(b) or 7 shall be cancelled and shall not accumulate or be payable at any time thereafter. Non-payment of any Interest Payment (or part thereof) in accordance with any of Condition 3.2(a), 3.2(b) or 7 will not constitute an event of default by the Issuer for any purpose or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever, will not entitle holders to petition for the insolvency or dissolution of the

Issuer and the holders shall have no right to the Interest Payment (or part thereof) not paid, whether in bankruptcy (*faillissement/faillite*) or dissolution or as a result of the insolvency of the Issuer or otherwise.

4 Payments

4.1 Payments in respect of Securities

Without prejudice to Article 474 of the Code, payments of principal, interest and other sums due under the Securities will be made in accordance with the rules of the NBB-SSS. The payment obligations of the Issuer will be discharged by payment to the NBB-SSS in respect of each amount so paid.

4.2 Payments on Business Days

If the due date for payment of any amount in respect of any Security is not a Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding such Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

4.3 Payments subject to applicable laws

Payments in respect of principal of and interest on the Securities are subject in all cases to any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 8.

5 Redemption and Purchase

5.1 No fixed maturity

The Securities are perpetual and have no fixed maturity date. The Securities will become repayable only as provided in this Condition 5 and in Condition 10.

5.2 Redemption at the Option of the Issuer

Subject to Condition 5.5, the Issuer may, at its option, having given:

(a) not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11; and

(b) notice to the Agent not less than two days before the giving of the notice referred to in (a),

(which notices shall, subject as provided in Condition 5.5, be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Securities on the First Call Date or on any Interest Payment Date thereafter at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8.

5.3 Redemption for Taxation Reasons

(a) Redemption upon a Tax Gross-up Event

Subject to Condition 5.5, if:

(i) as a result of any change in, or amendment to, the laws or regulations of Belgium, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (a "**Change in Law**"), on the next Interest Payment Date the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(together, a "**Tax Gross-up Event**"), the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 5.5, be irrevocable), redeem the Securities in whole (but not in part), at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Securities then due.

(b) Redemption upon a Tax Deductibility Event

Subject to Condition 5.5, if, as a result of a Change in Law, on the next Interest Payment Date any interest payable by the Issuer in respect of the Securities ceases (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is reduced (a "**Tax Deductibility Event**"), the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 5.5, be irrevocable), redeem the Securities in whole (but not in part), at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8, provided that no such notice of redemption shall be given earlier than 90 days prior to the first scheduled Interest Payment Date in respect of which a deduction would not be available or would be reduced.

(c) Directors' Certificate

Prior to the publication of any notice of redemption pursuant to this Condition 5.3, the Issuer shall deliver to the Agent (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that, as a result of the Change in Law, either (A) in the case of a redemption upon the occurrence of a Tax Gross-up Event, the Issuer has or will become obliged to pay the relevant additional amounts, or (B) in the case of a redemption upon the occurrence of a Tax Deductibility Event, any interest payable by the Issuer in respect of the Securities has ceased (or will cease) to be deductible by the Issuer for Belgian corporate income tax purposes or such deductibility is, or would be, reduced.

5.4 Redemption upon a Regulatory Event

(a) Redemption

Subject to Condition 5.5, upon the occurrence of a Regulatory Event, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the holders in accordance with

Condition 11 (which notice shall, subject as provided in Condition 5.5. be irrevocable), redeem the Securities, in whole (but not in part), at any time at their Prevailing Principal Amount together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to, but excluding, the date of redemption and any additional amounts payable in accordance with Condition 8.

A "**Regulatory Event**" means an event that shall be deemed to have occurred if the Issuer determines, in good faith, and after consultation with the Competent Authority, that by reason of a change (or a prospective change which the Competent Authority considers to be sufficiently certain) to the regulatory classification of the Securities, at any time after the Issue Date, the Securities cease (or would cease), in whole or in part, to be included in or count towards the Additional Tier 1 Capital of the Issuer on a solo and/or consolidated basis (having so counted prior to the Regulatory Event occurring). For the avoidance of doubt, a Regulatory Event shall not be deemed to have occurred in case of a partial exclusion of the Securities as a result of (i) a Principal Write-down or (ii) a change in the regulatory assessment of the tax effects of a Principal Write-down.

(b) Directors' Certificate

Prior to the publication of any notice of redemption pursuant to this Condition 5.4, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that a Regulatory Event has occurred.

5.5 Conditions to Redemption and Purchase

(a) General conditions to redemption and purchase

Any optional redemption of Securities pursuant to Condition 5.2, 5.3 or 5.4 and any purchase of Securities pursuant to Condition 5.6 are subject to the following, in each case only if and to the extent then required by Applicable Banking Regulations:

(i) compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Competent Authority (if required);

(ii) in the case of redemption upon the occurrence of a Tax Gross-up Event or a Tax Deductibility Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that (A) the Change in Law was not reasonably foreseeable as at the Issue Date and (B) the relevant change in tax treatment is material; and

(iii) in the case of redemption upon the occurrence of a Regulatory Event only, the Issuer having demonstrated to the satisfaction of the Competent Authority that the change (or prospective change) in the regulatory classification (or reclassification) of the Securities was not reasonably foreseeable as at the Issue Date.

(b) No redemption whilst the Securities are written down

The Issuer shall not be entitled to redeem the Securities pursuant to Condition 5.2 (but this restriction shall not, for the avoidance of doubt, apply to a redemption pursuant to Conditions 5.3 or 5.4) if, on the relevant redemption date, the Prevailing Principal Amount of the Securities is lower than their Original Principal Amount (and any notice of redemption which has been given in such circumstances shall be automatically rescinded and shall be of no force and effect).

(c) Determination of Trigger Event supersedes notice of redemption

If the Issuer has given a notice of redemption of the Securities pursuant to Condition 5.2, 5.3 or 5.4 and, after giving such notice but prior to the relevant redemption date, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Securities will not be redeemed on the scheduled redemption date and, instead, a Principal Write-down shall occur in respect of the Securities as described under Condition 7.

Without prejudice to Condition 5.5(b) above, following the occurrence of a Trigger Event, the Issuer shall not be entitled to give a notice of redemption of the Securities pursuant to Condition 5.2, 5.3 or 5.4 before the Trigger Event Write-Down Date.

5.6 Purchases

Subject to Condition 5.5, the Issuer or any of its subsidiaries may purchase Securities in any manner and at any price save that any such purchase may not take place within 5 years after the Issue Date unless permitted by Applicable Banking Regulations.

However, the Issuer or any agent on its behalf shall have the right at all times to purchase the Securities for market-making purposes, provided that (a) prior written approval of the Competent Authority shall be obtained where required and (b) the total principal amount of the Securities so purchased does not exceed the predetermined amount permitted to be purchased for market-making purposes under Applicable Banking Regulations (such predetermined amount not to exceed the limits set forth in Article 29(3)(b) of Commission Delegated Regulation (EU) 241/2014, as amended or replaced from time to time, and to the extent applicable at the relevant time).

Any Securities so purchased may be held, reissued or, at the option of the Issuer, surrendered to the Agent for cancellation.

5.7 Cancellations

All Securities which are redeemed, and all Securities which are purchased and surrendered to the Agent for cancellation, will (subject to Condition 5.5) forthwith be cancelled.

5.8 Notices Final

Subject to Condition 5.5, upon the expiry of any notice as is referred to in Conditions 5.2, 5.3 or 5.4 the Issuer shall be bound to redeem the Securities to which the notice refers in accordance with the terms of such Condition.

6 Substitution and Variation

6.1 Substitution and variation

Subject to Condition 6.2 and 6.3, if a Regulatory Event, a Tax Gross-up Event or a Tax Deductibility Event (each a "**Special Event**") has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 16, the Issuer may at its option, without any requirement for the consent or approval of the holders, upon not less than 30 nor more than 60 days' notice to the holders in accordance with Condition 11 (which notice shall, subject as provided in Condition 6.3, be irrevocable), substitute all (but not some only) of the Securities or vary the terms of all (but not some only) of the Securities so that they become or remain (as the case may be) Qualifying Securities.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the holders can inspect or obtain copies of the new terms and conditions of the Securities.

In these Conditions, "**Qualifying Securities**" means, at any time, any securities issued by the Issuer:

(i) that:

(A) contain terms which at such time comply with the then current requirements of the Competent Authority in relation to Additional Tier 1 Capital (which, for the avoidance of doubt, may result in such securities not including, or restricting for a period of time the application of, one or more of the Special Event redemption events which are included in the Securities);

(B) carry the same rights to redeem as set out in Condition 5.2 and the same rate of interest from time to time applying to the Securities prior to the relevant substitution or variation;

(C) rank *pari passu* with the Securities prior to the substitution or variation;

(D) shall not at the time of the relevant variation or substitution be subject to a Special Event;

(E) where the Securities had a solicited published rating from a rating agency immediately prior to the relevant substitution or variation, each such rating agency has ascribed or announced its intention to ascribe at least the same published rating to the relevant securities unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 16; and

(F) other than in respect of the effectiveness and enforceability of Condition 16, have terms not materially less favourable to the holders than the terms of the Securities, as reasonably determined by the Issuer, and provided that the Issuer shall have delivered to the Agent a certificate to that effect signed by two of its Directors; and

(ii) that if (A) the Securities were listed or admitted to trading on a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on a Regulated Market or (B) if the Securities were listed or admitted to trading on a recognised stock exchange other than a Regulated Market immediately prior to the relevant substitution or variation, are listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in either case as selected by the Issuer.

6.2 Conditions to substitution and variation

Any substitution or variation of the Securities pursuant to Condition 6.1 is subject to compliance with any conditions prescribed under Applicable Banking Regulations, including the prior approval of the Competent Authority (if required).

6.3 Determination of Trigger Event following notice of substitution or variation

If the Issuer has given a notice of substitution or variation of the Securities pursuant to Condition 6.1 and, after giving such notice but prior to the date of such substitution or variation (as the case may be), a Trigger Event occurs, the relevant notice of substitution or variation shall be automatically rescinded and shall be of no force and effect, the Securities will not be

substituted or varied on the scheduled substitution or variation date and, instead, a Principal Write-down shall occur in respect of the Securities as described under Condition 7.

Following the occurrence of a Trigger Event, the Issuer shall not be entitled to give a notice of substitution or variation of the Securities pursuant to Condition 6.1 before the Trigger Event Write-Down Date.

7 Principal Write-down and Principal Write-up

7.1 Principal Write-down

(a) Trigger Event

Upon the occurrence of a Trigger Event, a Principal Write-down will occur without delay but no later than within one month or such shorter period as may be required by the Competent Authority (such date being a "**Trigger Event Write-down Date**"), all in accordance with this Condition 7.1.

(b) Trigger Event Write-down Notice

Upon the occurrence of a Trigger Event, the Issuer shall:

(i) immediately notify the Competent Authority that a Trigger Event has occurred;

(ii) determine the Write-down Amount as soon as possible and no later than on the relevant Trigger Event Write-down Date;

(iii) give notice to holders (a "**Trigger Event Write-down Notice**") in accordance with Condition 11, which notice shall specify (A) that a Trigger Event has occurred, (B) the Trigger Event Write-down Date and (C) if it has then been determined, the Write-down Amount; and

(iv) no later than the giving of the Trigger Event Write-down Notice, deliver to the Agent a certificate signed by two Directors of the Issuer stating a Trigger Event has occurred.

The determination that a Trigger Event has occurred, including the underlying calculations, and any determination of the relevant Write-down Amount shall be irrevocable and be binding on the holders.

If the Write-down Amount has not been determined at the time the Issuer gives the Trigger Event Write-down Notice, the Issuer shall, as soon as reasonably practicable following such determination having been made, give a further notice to holders in accordance with Condition 11, confirming the Write-down Amount. Failure to provide any notice referred to in this Condition will not have any impact on the effectiveness of, or otherwise invalidate, any such Principal Write-down or give holders any rights as a result of such failure.

(c) Cancellation of interest and Principal Write-down

On a Trigger Event Write-down Date, the Issuer shall:

(i) irrevocably cancel all interest accrued on each Security up to (and including) the Trigger Event Write-down Date (whether or not the same has become due at such time); and

(ii) irrevocably, but without prejudice to any Principal Write-up pursuant to Condition 7.2, reduce the then Prevailing Principal Amount of each Security by the relevant Write-down Amount (such reduction being referred to as a "**Principal Write-down**", and "**Written**

Down" being construed accordingly) with effect from the Trigger Event Write-down Date, such Principal Write-down to be effected, save as may be otherwise required by Applicable Banking Regulations and/or the Competent Authority and subject to Condition 7.1(e), pro rata and concurrently with the Principal Write-down of the other Securities and the write-down or conversion into equity (as the case may be) of the then prevailing principal amount of any other Loss Absorbing Instruments.

Condition 3.2 shall apply accordingly in respect of interest payments cancelled on a Trigger Event Write-down Date in accordance with Condition 7. For the avoidance of doubt, interest will continue to accrue on the Prevailing Principal Amount following the Principal Write-down, as from the Trigger Event Write-down Date (without prejudice to any Principal Write-up pursuant to Condition 7.2).

In addition, the Competent Authority shall be entitled to write down the Securities in accordance with its statutory powers, as more fully described in Condition 16.

(d) Write-down Amount

In these Conditions, "**Write-down Amount**" means, on any Trigger Event Write-down Date, the amount by which the then Prevailing Principal Amount of each outstanding Security is to be Written Down and which is calculated per Security, being the lower of:

(i) the amount per Security (together with, subject to Condition 7.1(e), the concurrent pro rata Principal Write-down of the other Securities and the write-down or conversion into equity of the prevailing principal amount of any other Loss Absorbing Instruments) that would be sufficient to immediately restore the Solo CET1 Ratio and the Consolidated CET1 Ratio to at least 5.125 per cent.; or

(ii) the amount necessary to reduce the Prevailing Principal Amount of the Security to one cent.

(e) Other Loss Absorbing Instruments

To the extent the write-down or conversion into equity of any Loss Absorbing Instruments is not effective for any reason (i) the ineffectiveness of any such write-down or conversion into equity shall not prejudice the requirement to effect a Principal Write-down of the Securities pursuant to Condition 7.1 and (ii) the write-down or conversion into equity of any Loss Absorbing Instrument which is not, or by the Trigger Event Write-down Date will not be, effective shall not be taken into account in determining the Write-down Amount of the Securities.

Any Loss Absorbing Instruments that may be written down or converted to equity in full (save for any one cent floor) but not in part only shall be treated for the purposes only of determining the relevant pro rata amounts in Condition 7.1(c)(ii) and 7.1(d) as if their terms permitted partial write-down or conversion into equity.

In the event of a concurrent write-down of any other Loss Absorbing Instrument (if any), the pro rata write-down and/or conversion of such Loss Absorbing Instrument shall only be taken into account to the extent required to restore the Solo CET1 Ratio and the Consolidated CET1 Ratio contemplated above to the lower of (x) such Loss Absorbing Instrument's trigger level and (y) 5.125 per cent., in each case in accordance with the terms of such Loss Absorbing Instrument and the Applicable Banking Regulations.

(f) No default

Any Principal Write-down of the Securities shall not:

(i) constitute an event of default of the Issuer or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever;

(ii) constitute the occurrence of any event related to the insolvency of the Issuer or entitle the holders to any compensation or to take any action to cause the liquidation, dissolution or winding-up of the Issuer.

The holders shall have no further rights or claims against the Issuer (whether in the case of the liquidation, dissolution or winding-up of the Issuer by reason of bankruptcy (*faillissement/faillite*) or otherwise) with respect to any interest cancelled and any principal Written Down in accordance with this condition (including, but not limited to, any right to receive accrued but unpaid and future interest or any right of repayment of principal, but without prejudice to their rights in respect of any reinstated principal following a Principal Write-up pursuant to Condition 7.2).

(g) Principal Write-down may occur on one or more occasions

A Principal Write-down may occur on one or more occasions and accordingly the Securities may be Written Down on one or more occasions (provided, however, that the principal amount of a Security shall never be reduced to below one cent).

7.2 Principal Write-up

(a) Principal Write-up

Subject to compliance with the Applicable Banking Regulations, if both a positive Solo Net Profit and a positive Consolidated Net Profit is recorded (a "**Return to Financial Health**") at any time while the Prevailing Principal Amount is less than the Original Principal Amount, the Issuer may, at its full discretion but subject to Conditions 7.2(b), 7.2(c) and 7.2(d), increase the Prevailing Principal Amount of each Security (a "**Principal Write-up**") up to a maximum of its Original Principal Amount on a pro rata basis with the other Securities and with any Discretionary Temporary Write-down Instruments capable of being written-up in accordance with their terms at the time of the Principal Write-up (based on the then prevailing principal amounts thereof), provided that the Maximum Write-up Amount is not exceeded as determined in accordance with Condition 7.2(c) below.

Any Principal Write-up Amount will be subject to the same terms and conditions as set out in these Conditions.

For the avoidance of doubt, the principal amount of a Security shall never be increased to above its Original Principal Amount.

(b) Maximum Distributable Amount

A Principal Write-up of the Securities shall not be effected in circumstances which (when aggregated together with other distributions of the kind referred to in Article 101, §1 of the Belgian Banking Law (transposing Article 141(2) of the Capital Requirements Directive) would cause the Maximum Distributable Amount, if any, applicable to the Issuer on a solo or consolidated basis to be exceeded, if required to be calculated at such time.

(c) Maximum Write-up Amount

A Principal Write-up of the Securities will not be effected at any time in circumstances to the extent the sum of:

(i) the aggregate amount of the relevant Principal Write-up on all the Securities;

(ii) the aggregate amount of any interest on the Securities that was paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of a Prevailing Principal Amount that is lower than the Original Principal Amount at any time after the end of the then previous financial year;

(iii) the aggregate amount of the increase in principal amount of each Discretionary Temporary Write-down Instrument to be written-up at the time of the relevant Principal Write-up and the increase in principal amount of the Securities and any Discretionary Temporary Write-down Instruments resulting from any previous write-up since the end of the then previous financial year; and

(iv) the aggregate amount of any interest payments on each Loss Absorbing Instrument (other than the Securities) that were paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of a prevailing principal amount that is lower than the original principal amount at which such Loss Absorbing Instrument was issued at any time after the end of the then previous financial year,

would exceed the Maximum Write-up Amount.

In these Conditions, the "**Maximum Write-up Amount**" means the lower of:

(i) the Solo Net Profit (i) multiplied by the aggregate issued original principal amount of all Written-Down Additional Tier 1 Instruments which qualify as Additional Tier 1 Capital of the Issuer on a solo basis, and (ii) divided by the Tier 1 Capital of the Issuer calculated on a solo basis as at the date when the Principal Write-up is operated; and

(ii) the Consolidated Net Profit (i) multiplied by the aggregate issued original principal amount of all Written-Down Additional Tier 1 Instruments which qualify as Additional Tier 1 Capital of the Issuer on a consolidated basis, and (ii) divided by the Tier 1 Capital of the Issuer calculated on a consolidated basis as at the date when the Principal Write-up is operated.

(d) Principal Write-up and Trigger Event

A Principal Write-up will not be effected whilst a Trigger Event has occurred and is continuing. Further, a Principal Write-up will not be effected in circumstances where such Principal Write-up (together with the simultaneous write-up of all other Discretionary Temporary Write-down Instruments) would cause a Trigger Event to occur.

(e) Principal Write-up pro rata with other Discretionary Temporary Write-down Instruments

The Issuer undertakes that it will not write-up the principal amount of any Discretionary Temporary Write-down Instruments capable of being written-up in accordance with their terms at the time of the relevant write-up unless it does so on a pro rata basis with a Principal Write-up on the Securities.

(f) Principal Write-up may occur on one or more occasions

Principal Write-up may be made on one or more occasions until the Prevailing Principal Amount of the Securities has been reinstated to the Original Principal Amount.

Any decision by the Issuer to effect or not to effect any Principal Write-up on any occasion shall not preclude it from effecting (in the circumstances permitted by this Condition 7.2) or not effecting any Principal Write-up on any other occasion.

(g) Notice of Principal Write-up

The Issuer shall, as soon as reasonably practicable following its formal decision to effect a Principal Write-up in respect of the Securities and in any event not later than five Business Days prior to the date on which the Principal Write-up shall take effect, give notice of such Principal Write-up to the Holders in accordance with Condition 11. Such notice shall confirm the amount of such Principal Write-up and the date on which such Principal Write-up is to take effect.

7.3 Foreign Currency Instruments

If, in connection with any Principal Write-down or Principal Write-up of the Securities, any instruments are not denominated in the Accounting Currency at the relevant time ("**Foreign Currency Instruments**", which may include the Securities and/or any relevant Loss Absorbing Instruments) the determination of the relevant Write-down Amount or Write up Amount (as the case may be) in respect of the Securities and the relevant write down (or conversion into equity) amount or write up amount (as the case may be) of Loss Absorbing Instruments shall be determined by the Issuer based on the relevant foreign currency exchange rate used by the Issuer in the preparation of its regulatory capital returns under the Applicable Banking Regulations.

8 Taxation

All payments of principal and/or interest by or on behalf of the Issuer in respect of the Securities will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts ("**Additional Amounts**") in respect of Interest Payments (but not, for the avoidance of doubt, in respect of payments of principal) as shall result in receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Security:

(i) **Other connection:** to, or to a third party on behalf of, a holder who is liable for such Taxes in respect of such Security by reason of its having some connection with the Kingdom of Belgium other than the mere holding of such Security; or

(ii) **Lawful avoidance of withholding**: to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Security is presented for payment; or

(iii) **Non-Eligible Investor:** to a holder who, at the time of issue of the Securities, was not an Eligible Investor or to a holder who was such an Eligible Investor at the time of the issue of the Securities but, for reason within the holder's control, either ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Securities, otherwise failed to meet any other

condition for the exemption of Belgian withholding tax pursuant to the Belgian law of 6 August 1993 relating to transactions in certain securities; or

(iv) **Conversion into registered securities**: to a holder who is liable to such Taxes because the Securities were upon its request converted into registered Securities and could no longer be cleared through the NBB-SSS; or

(v) **Available Distributable Items and compliance with the Maximum Distributable Amount**: if and to the extent that (i) the Issuer does not have sufficient Distributable Items to make such payment, and/or (ii) such payment would cause the Maximum Distributable Amount (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded, if required to be calculated at such time.

Notwithstanding any other provision in these Conditions, any amounts paid by or on behalf of the Issuer in respect of the Securities will be paid net of any deduction or withholding imposed or required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (or any regulations thereunder or official interpretations thereof), or otherwise imposed pursuant to any intergovernmental agreement, or implementing legislation adopted by another jurisdiction, in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). Neither the Issuer nor any other person will have an obligation to pay Additional Amounts or otherwise indemnify a holder for any FATCA withholding.

Any reference in these Conditions to any amounts in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 8.

For the avoidance of doubt, Additional Amounts shall only be payable if and to the extent the Issuer has sufficient Distributable Items and such payment would not cause the Maximum Distributable Amount (if any) then applicable to the Issuer on a solo or consolidated basis to be exceeded, if required to be calculated at such time.

9 Prescription

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

10 Enforcement

If default is made in the payment of any principal or interest due in respect of the Securities or any of them and such default continues for a period of 30 days or more after the due date, any holder may institute proceedings for the dissolution or liquidation of the Issuer in Belgium. Any Interest Payment not paid by reason of Condition 3 or Condition 7 shall not constitute a default under this Condition.

In the event of a dissolution or liquidation of the Issuer (including, without limitation, the following events creating a competition between creditors (*samenloop van schuldeisers/concours de créanciers*): bankruptcy (*faillissement/faillite*), judicial liquidation (*gerechtelijke vereffening/liquidation forcée*), voluntary liquidation (*vrijwillige vereffening/liquidation volontaire*) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), dissolution (*ontbinding/liquidation*), moratorium of payments (*moratorium/moratoire*), and any other measures agreed between the Issuer and its creditors relating to the Issuer's payment difficulties, or an official decree of such measure), each holder may give notice to the Issuer that the Security is, and it shall accordingly forthwith become, immediately due and repayable

at its Prevailing Principal Amount, together with accrued and unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) to the date of repayment and any additional amounts payable in accordance with Condition 8.

No remedy against the Issuer other than as referred to in this Condition 10 shall be available to the holders, whether for recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its obligations under or in respect of the Securities.

For the avoidance of doubt, the holders of the Securities waive, to the fullest extent permitted by law (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (*ontbinden/résoudre*), or to demand legal proceedings for the rescission (*ontbinding/résolution*), of, the Securities and (ii), to the extent applicable, all their rights whatsoever in respect of the Securities pursuant to Article 487 of the Code.

11 Notices

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

In addition to the above communications and publications, with respect to notices for meetings of holders, convening notices for such meetings shall be made in accordance with Schedule 1 (*Provisions of meetings of Securityholders*) to these Conditions.

12 Meeting of holders and Modification

12.1 Meeting of holders

(i) Subject to paragraph (ii) below, all meetings of holders of Securities will be held in accordance with the provisions on meetings of Securityholders set out in Schedule 1 (*Provisions on meetings of Securityholders*) to these Conditions.

Meetings of holders of Securities may be convened to consider matters relating to Securities, including the modification or waiver of any provision of these Conditions. Any such modification or waiver may be made if sanctioned by an Extraordinary Resolution (as defined in Schedule 1 (*Provisions on meetings of Securityholders*)).

All meetings of holders of Securities may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of holders of Securities holding not less than one fifth of the aggregate principal amount of the outstanding Securities. A meeting of holders of Securities will be entitled (subject to the consent of the Issuer) to exercise the powers set out in Schedule 1 (*Provisions on meetings of Securityholders*) and generally to modify or waive any provision of these Conditions (including any proposal (i) to modify the dates on which interest or principal is payable in respect of the Securities; (ii) to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment; (iii) to alter any provision relating to Principal Write-down or Principal Write-up; (iv) to change the currency of payment of the Securities; or (v) to modify the provisions concerning the quorum required at any meeting of holders) in accordance with the quorum and majority requirements set out in Schedule 1 (Provisions on meetings of Securityholders), and if required thereunder subject to validation by

the court of appeal. Resolutions duly passed in accordance with these provisions shall be binding on all holders, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

Convening notices for meetings of holders of Securities shall be made in accordance with Schedule 1 (*Provisions on meetings of Securityholders*).

Schedule 1 (*Provisions on meetings of Securityholders*) provides that, if authorised by the Issuer and to the extent permitted by Belgian law, a written resolution signed by the holders of 75 per cent. in nominal amount of the Securities outstanding shall take effect as if it were an Extraordinary Resolution provided that the terms of the proposed resolution shall have been notified in advance to the Securityholders through the relevant settlement system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more holders of Securities.

Resolutions of holders of Securities will only be effective if such resolutions have been approved by the Issuer and, if so required, by the Competent Authority.

(ii)

(A) For so long as the relevant provisions of the Belgian companies code of 7 May 1999 as is in effect on the Issue Date (the "**Existing Code**") relating to meetings of bondholders remain in effect, where any provision of Schedule 1 (*Provisions on meetings of Securityholders*) would conflict with the relevant provisions of the Existing Code relating to meetings of bondholders that cannot be derogated from, the provisions of the Existing Code will apply.

(B) Where any of the provisions of Schedule 1 (*Provisions on meetings of Securityholders*) would be illegal, invalid or unenforceable, that will not affect the legality, validity and enforceability of the other provisions of Schedule 1.

12.2 Modification

Subject to obtaining the approval therefor from the Competent Authority if so required, the Agent and the Issuer may agree, without the consent of the holders, to:

(i) any modification of the Agency Agreement which is not prejudicial to the interests of the holders; or

(ii) any modification of these Conditions or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law.

Any such modification shall be binding on the holders and any such modification shall be notified to the holders in accordance with Condition 11 as soon as practicable thereafter.

13 Further Issues

The Issuer may from time to time without the consent of the holders create and issue further Securities, having terms and conditions the same as those of the Securities, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Securities.

14 Governing Law and Submission to Jurisdiction

14.1 Governing Law

The Agency Agreement and the Securities (except Conditions 1, 2 and 12) (and, in each case, any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, English law. Conditions 1, 2 and 12 of the Securities and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, Belgian law.

14.2 Jurisdiction of English Courts

The Issuer agrees, for the exclusive benefit of the holders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement or the Securities (including, in each case, any dispute relating to any non-contractual obligations arising therefrom or in connection therewith) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Agency Agreement or the Securities (including, in each case, any Proceedings relating to any non-contractual obligation arising therefrom or in connection therewith) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer appoints Belgian Luxembourg Chamber of Commerce, currently situated at 8 Northumberland Avenue, London, WC2N 5BY, United Kingdom as its agent for service of process for Proceedings in England, and undertakes that, in the event of the Belgian Luxembourg Chamber of Commerce ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

15 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16 Contractual recognition of powers under the Bank Recovery and Resolution Directive

Notwithstanding and to the exclusion of any other term of the Securities or any other agreements, arrangements, or understanding between the Issuer and any holder, by its acquisition of the Securities, each holder (which, for the purposes of this clause, includes each holder of a beneficial interest in the Securities) acknowledges and accepts that the Amounts Due arising under the Securities may be subject

to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority, and acknowledges, accepts, consents to and agrees to be bound by:

(a) the effect of the exercise of any Statutory Loss Absorption Power by the Relevant Resolution Authority, which exercise may include and result in any of the following, or some combination thereof:

(i) the reduction or cancellation of all, or a portion, of the Amounts Due;

(ii) the conversion of all, or a portion, of the Amounts Due on the Securities into shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Securities;

(iii) the cancellation of the Securities; and

(iv) the amendment or alteration of the provisions of the Securities by which the Securities have no maturity or the amendment of the amount of interest payable on the Securities, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the terms of the Securities, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Power by the Relevant Resolution Authority.

17 Definitions

In these Conditions:

"**5-year Mid-Swap Rate**" means, in relation to a Reset Period and the Mid-Swap Rate Determination Date in respect of such Reset Period:

(a) the mid-swap rate for euro swaps with a term of 5 years which appears on the Screen Page as of 11:00 a.m. (Central European time) on such Mid-Swap Rate Determination Date; or

(b) if such rate does not appear on the Screen Page at such time on such Mid-Swap Rate Determination Date, the Reset Reference Bank Rate on such Mid-Swap Rate Determination Date.

"**5-year Mid-Swap Rate Quotations**" means the arithmetic mean of the bid and ask rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

(a) has a term of 5 years commencing on the relevant Reset Date;

(b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

(c) has a floating leg based on six-month EURIBOR (calculated on an Actual/360 day count basis).

"**Accounting Currency**" means euro or such other primary currency used in the presentation of the Issuer's accounts from time to time.

"**Accrual Period**" has the meaning given in Condition 3.1(e).

"**Additional Tier 1 Capital**" has the meaning given in the Applicable Banking Regulations from time to time.

"**Additional Tier 1 Capital Instruments**" means all obligations which constitute, or which upon issue constituted, Additional Tier 1 Capital of the Issuer on a solo or consolidated basis.

"**Amounts Due**" means the Prevailing Principal Amount, together with any accrued but unpaid interest (excluding interest which has been cancelled in accordance with these Conditions) and any additional amounts payable in accordance with Condition 8. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Statutory Loss Absorption Power by the Relevant Resolution Authority.

"**Applicable Banking Regulations**" means, at any time, the laws, regulations, rules, guidelines and policies of the Competent Authority, or of the European Parliament and Council then in effect in Belgium, relating to capital adequacy and applicable to the Issuer at such time (and, for the avoidance of doubt, including as at the Issue Date the rules contained in, or implementing, CRD IV and the rules contained in the Belgian Banking Law).

"**Artesia Securities**" means the outstanding (a) U.S.$50,000,000 Perpetual Floating Rate Instruments (ISIN: XS0116242784) and (b) U.S.$100,000,000 Perpetual Floating Rate Instruments (ISIN: XS0117920149), each issued by Belfius Financing Company (formerly, Artesia Overseas Limited), a wholly owned subsidiary of the Issuer, and guaranteed by the Issuer.

"**Belgian Banking Law**" means the law of 25 April 2014 on the status and supervision of credit institutions and brokerage firms, as amended or replaced from time to time.

"**BRRD**" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time.

"**Business Day**" means (i) a day other than a Saturday or Sunday on which the NBB-SSS is operating, and (ii) a day on which banks and forex markets are open for general business in Belgium and (iii) (if a payment in euro is to be made on that day) a day which is a business day for the TARGET2 System.

"**Calculation Agent**" means Belfius Bank SA/NV.

"**Capital Requirements Directive**" means Directive (2013/36/EU) of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time.

"**Capital Requirements Regulation**" means Regulation (EU) No 57512013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 64812012, as amended or replaced from time to time.

"**CET1 Capital**" means the sum, expressed in the Accounting Currency, of all amounts that constitute Common Equity Tier 1 capital of the Issuer on a solo or consolidated basis (as applicable) as at a given date, less any deductions from Common Equity Tier 1 capital required to be made as of such date, all as calculated by the Issuer on a solo or consolidated basis (as applicable) in accordance with the Applicable Banking Regulations (which calculation shall be binding on the holders). The term "Common Equity Tier 1 capital" as used in this definition shall have the meaning assigned to such term in the Applicable Banking Regulations from time to time, and subject always to the transitional and grandfathering arrangements thereunder as interpreted by the Competent Authority.

"**Code**" means the Belgian Companies Code.

"**Competent Authority**" means the European Central Bank, the National Bank of Belgium, any successor or replacement to or of either of them, or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer, as determined by the Issuer.

"**Consolidated CET1 Ratio**" means, at any time, the ratio of CET1 Capital of the Issuer to the total risk exposure amount (as referred to in Article 92(2)(a) of the Capital Requirements Regulation) of the Issuer, expressed as a percentage, all as calculated on a consolidated basis within the meaning of the Capital Requirements Regulation.

"**Consolidated Net Profit**" means the net profit of the Issuer as calculated on a consolidated basis and as set out in the last audited annual consolidated accounts of the Issuer adopted by the Issuer's shareholders' meeting (or such other means of communication as determined by the Issuer).

"**CRD IV**" means, taken together, the (i) Capital Requirements Directive and (ii) Capital Requirements Regulation.

"**Discretionary Temporary Write-down Instrument**" means, at any time, any instrument (other than the Securities) issued directly or indirectly by the Issuer which at such time (a) qualifies as Additional Tier 1 Capital of the Issuer on a solo or consolidated basis, (b) has had all or some of its principal amount written-down and (c) has terms providing for a write-up or reinstatement of its principal amount, at the relevant issuer's discretion, upon reporting a net profit.

"**Distributable Items**" has the meaning given in Condition 3.2(b).

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

"**euro**" or "**€**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

"**Existing Code**" has the meaning given in Condition 12.

"**Extraordinary Resolution**" has the meaning given in Condition 12.

"**FATCA withholding**" has the meaning given in Condition 8.

"**First Call Date**" means 16 April 2025.

"**Foreign Currency Instruments**" has the meaning given in Condition 7.3.

"**Holder**" or "**holder**" means the holder from time to time of a Security as determined by reference to the records of the relevant clearing systems or financial intermediaries and the affidavits referred to in Condition 1.

"**Initial Period**" means the period from (and including) the Issue Date to (but excluding) the First Call Date.

"**Initial Rate of Interest**" means 3.625 per cent. per annum.

"**Interest Payment**" means, in respect of an Interest Payment Date, the amount of interest which, subject to Conditions 3.2 and 7, is payable for the relevant Interest Period in accordance with Condition 3.

"**Interest Payment Date**" means 16 April and 16 October in each year from (and including) 16 April 2018.

"**Interest Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

"**Issue Date**" means 1 February 2018.

"**Junior Obligations**" means all unsecured, subordinated obligations of the Issuer that rank, or are expressed to rank, junior to the Issuer's obligations under the Securities and all classes of share capital of the Issuer.

"**Loss Absorbing Instruments**" means, at any time, any instrument issued directly or indirectly by the Issuer which qualifies as Additional Tier 1 Capital of the Issuer on a solo or consolidated basis and has terms pursuant to which all or some of its principal amount may be written-down (whether on a permanent or temporary basis) or converted into equity (in each case in accordance with its conditions) on the occurrence, or as a result, of the Solo CET1 Ratio or the Consolidated CET1 Ratio falling below a certain trigger level.

"**Margin**" means 2.938 per cent.

"**Maximum Distributable Amount**" has the meaning given in Condition 3.2(b).

"**Maximum Write-up Amount**" has the meaning given in Condition 7.2.

"**Mid-Swap Rate**" means, in respect of any Reset Period, the 5-year Mid-Swap Rate determined on the Mid-Swap Rate Determination Date applicable to such Reset Period, as determined by the Calculation Agent.

"**Mid-Swap Rate Determination Date**" means, in respect of the determination of the Mid-Swap Rate applicable during any Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences.

"**NBB-SSS**" has the meaning given in Condition 1.

"**Original Principal Amount**" means, in respect of a Security at any time the principal amount of such Security at the Issue Date without having regard to any subsequent Principal Write-down or Principal Write-up pursuant to Condition 7.

"**Parity Securities**" means any Additional Tier 1 Capital Instruments issued or guaranteed by the Issuer and any other obligations or instruments of the Issuer that rank, or are expressed to rank, equally with the Securities (other than the Artesia Securities).

"**Prevailing Principal Amount**" means, in respect of a Security at any time, the Original Principal Amount of such Security as reduced by any Principal Write-down of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7 and, if applicable following any Principal Write-down, as subsequently increased by any Principal Write-up of such Security (on one or more occasions) at or prior to such time pursuant to Condition 7.

"**Principal Write-down**" has the meaning given in Condition 7.1.

"**Principal Write-up**" has the meaning given in Condition 7.2.

"**Principal Write-up Amount**" means, on any Principal Write-up, the amount by which the then Prevailing Principal Amount is to be written-up and which is calculated per Security.

"**Qualifying Securities**" has the meaning given in Condition 6.1.

"**Rate of Interest**" means:

(a) in the case of each Interest Period falling in the Initial Period, the Initial Rate of Interest; or

(b) in the case of each Interest Period which commences on or after the First Call Date, the sum, converted from an annual basis to a semi-annual basis, of (A) the Mid-Swap Rate applicable to the Reset Period in which that Interest Period falls and (B) the Margin,

all as determined by the Calculation Agent in accordance with Condition 3.

The current market convention for semi-annual rate conversion from an annual rate is as follows:

$$2 \times \left(\sqrt{Mid - Swap\ Rate + Margin + 1} - 1\right)$$

A reference to a "**regulated entity**" is to any entity referred to in Article 267/15 or Article 453 of the Belgian Banking Law or Article 2 of the SRM Regulation, as the case may be, in each case as amended from time to time, which includes certain credit institutions, investment firms, and certain of their parent or holding companies.

"**Regulated Market**" means a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) as amended or replaced from time to time.

"**Regulatory Event**" has the meaning given in Condition 5.4(a).

"**Relevant Resolution Authority**" means the Single Resolution Board established pursuant to the SRM Regulation and defined therein, the *Collège de résolution / Afwikkelingscollege* of the National Bank of Belgium, and/or any other authority entitled to exercise or to participate in the exercise of any bail-in power from time to time.

"**Reset Date**" means the First Call Date and each date which falls five, or an integral multiple of five, years after the First Call Date.

"**Reset Period**" means each period from (and including) a Reset Date to (but excluding) the next Reset Date.

"**Reset Reference Bank Rate**" means, with respect to a Mid-Swap Rate Determination Date, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (Central European time) on such Mid-Swap Rate Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be the last observable mid-swap rate for euro swaps with a term of 5 years which appears on the Screen Page, as determined by the Calculation Agent.

"**Reset Reference Banks**" means six leading swap dealers in the interbank market selected by the Calculation Agent in its discretion after consultation with the Issuer.

"**Return to Financial Health**" has the meaning given in Condition 7.2.

"**Screen Page**" means Reuters screen "ICESWAP2" or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be

nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the relevant 5-year Mid-Swap Rate.

"**Solo CET1 Ratio**" means, at any time, the ratio of CET1 Capital of the Issuer to the total risk exposure amount (as referred to in Article 92(2)(a) of the Capital Requirements Regulation) of the Issuer, expressed as a percentage, all as calculated on a solo basis within the meaning of the Capital Requirements Regulation.

"**Solo Net Profit**" means the net profit of the Issuer as calculated on a non-consolidated basis and as set out in the last audited annual non-consolidated accounts of the Issuer adopted by the Issuer's shareholders' meeting (or such other means of communication as determined by the Issuer).

"**Special Event**" has the meaning given in Condition 6.1.

"**SRM Regulation**" means Regulation 806/2014 establishing uniform rules and uniform procedures for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and Single Resolution Fund, and the instruments, rules and standards created thereunder.

"**Statutory Loss Absorption Power**" means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Belgium, relating to the transposition of the BRRD, including but not limited to the Belgian Banking Law, or pursuant to, and in accordance with, the SRM Regulation, pursuant to which (i) any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a regulated entity may be deemed to have been exercised.

"**TARGET2 System**" means the Trans-European Automated Real-time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

"**Tax Deductibility Event**" has the meaning given in Condition 5.3(b).

"**Tax Gross-up Event**" has the meaning given in Condition 5.3(a).

"**Tier 1 Capital**" and "**Tier 2 Capital**" have the respective meanings given to such terms in the Applicable Banking Regulations from time to time.

"**Tier 2 Capital Instruments**" means all obligations which constitute, or which upon issue constituted, Tier 2 Capital of the Issuer (including, for the avoidance of doubt, the Artesia Securities).

A "**Trigger Event**" will occur if, at any time, either the Solo CET1 Ratio or the Consolidated CET1 Ratio is less than 5.125 per cent. as determined by the Issuer, the Competent Authority or any entity appointed by or acting on behalf of the Competent Authority.

"**Trigger Event Write-down Date**" has the meaning given in Condition 7.1.

"**Trigger Event Write-down Notice**" has the meaning given in Condition 7.1.

"**Write-down Amount**" has the meaning given in Condition 7.1.

"**Written-Down Additional Tier 1 Instrument**" means, at any time, any instrument (including the Securities) issued directly or indirectly by the Issuer and which, immediately prior to the relevant

Principal Write-up of the Securities at that time, has a prevailing principal amount that, due to it having been written down, is lower than the original principal amount it was issued with.

Any reference in these Conditions to a specific Article of any applicable law or rule of English, Belgian or European law shall be to such Article as amended or replaced from time to time.

Schedule 1

PROVISIONS ON MEETINGS OF SECURITYHOLDERS

Interpretation

1. In this Schedule:

1.1 references to a "**meeting**" are to a meeting of Securityholders and include, unless the context otherwise requires, any adjournment;

1.2 references to "**Securities**" and "**Securityholders**" are only to the Securities issued by the Issuer and in respect of which a meeting has been, or is to be, called and to the holders of those Securities, respectively;

1.3 "**agent**" means a holder of a Voting Certificate or a proxy for, or representative of, a Securityholder;

1.4 "**Block Voting Instruction**" means a document issued by a Recognised Accountholder or the NBB-SSS in accordance with paragraph 9;

1.5 "**Electronic Consent**" has the meaning set out in paragraph 31;

1.6 "**Extraordinary Resolution**" means a resolution passed (a) at a meeting of Securityholders duly convened and held in accordance with this Schedule by a majority of at least 75 per cent. of the votes cast, (b) by a Written Resolution or (c) by an Electronic Consent;

1.7 "**NBB-SSS**" means the securities settlement system operated by the NBB or any successor thereto;

1.8 "**Ordinary Resolution**" means a resolution with regard to any of the matters listed in paragraph 4 and passed or proposed to be passed by a majority of at least 50 per cent. of the votes cast;

1.9 "**Recognised Accountholder**" means a member (*aangesloten lid/afilié*) referred to in the Belgian Royal Decree n°62, with whom a Securityholder holds Securities on a securities account;

1.10 "**Voting Certificate**" means a certificate issued by a Recognised Accountholder or the NBB-SSS in accordance with paragraph 8;

1.11 "**Written Resolution**" means a resolution in writing signed by the holders of not less than 75 per cent. in principal amount of the Securities outstanding; and

1.12 references to persons representing a proportion of the Securities are to Securityholders, proxies or representatives of such Securityholders holding or representing in the aggregate at least that proportion in nominal amount of the Securities for the time being outstanding.

General

2. All meetings of Securityholders will be held in accordance with the provisions set out in this Schedule.

2.1 For so long as the relevant provisions of the Belgian companies code of 7 May 1999 as is in effect on the Issue Date (the "**Existing Code**") relating to meetings of bondholders remain in effect, where any provision of this Schedule would conflict with the relevant provisions of the Existing Code relating to meetings of bondholders that cannot be derogated from, the provisions of the Existing Code will apply.

2.2 Where any of the provisions of this Schedule would be illegal, invalid or unenforceable, that will not affect the legality, validity and enforceability of the other provisions of this Schedule.

Powers of meetings

3. A meeting shall, subject to the Conditions and (except in the case of sub-paragraph 3.5) only with the consent of the Issuer and, where applicable, the Competent Authority, and without prejudice to any powers conferred on other persons by this Schedule, have power by Extraordinary Resolution:

3.1 to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Securityholders against the Issuer (other than in accordance with the Conditions or pursuant to applicable law);

3.2 to assent to any modification of this Schedule or the Securities proposed by the Issuer or the Agent;

3.3 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;

3.4 to give any authority, direction or sanction required to be given by Extraordinary Resolution;

3.5 to appoint any persons (whether Securityholders or not) as a committee or committees to represent the Securityholders' interests and to confer on them any powers (including, without limitation, any powers conferred on such representative by the Code) or discretions which the Securityholders could themselves exercise by Extraordinary Resolution;

3.6 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Securities in circumstances not provided for in the Conditions or in applicable law; and

3.7 to accept any security interests established in favour of the Securityholders or a modification to the nature or scope of any existing security interest or a modification to the release mechanics of any existing security interests.

provided that the special quorum provisions in paragraph 18 shall apply to any Extraordinary Resolution (a "**special quorum resolution**") for the purpose of sub-paragraph 3.6 or for the purpose of making a modification to this Schedule or the Securities which would have the effect of (other than in accordance with the Conditions or pursuant to applicable law):

(i) to assent to an extension of an interest period, a reduction of the applicable interest rate or a modification of the conditions applicable to the payment of interest;

(ii) to assent to a reduction of the nominal amount of the Securities or a modification of the conditions under which any redemption, substitution or variation may be made;

(iii) to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment;

(iv) to alter any provision relating to Principal Write-down or Principal Write-up;

(v) to change the currency of payment of the Securities;

(vi) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution; or

(vii) to amend this proviso.

Ordinary Resolution

4. Notwithstanding any of the foregoing and without prejudice to any powers otherwise conferred on other persons by this Schedule, a meeting of Securityholders shall, upon a proposal of or with the assent of the Issuer, have power by Ordinary Resolution:

4.1 to assent to any decision to take any conservatory measures in the general interest of the Securityholders; or

4.2 to assent to the appointment of any representative to implement any Ordinary Resolution.

5. No amendment to this Schedule or the Securities which in the opinion of the Issuer relates to any of the matters listed in paragraph 4 above shall be effective unless approved at a meeting of Securityholders complying in all respect with the requirements of Belgian law, the provisions set out in this Schedule and the articles of association of the Issuer.

Convening a meeting

6. The Issuer may at any time convene a meeting. A meeting shall be convened by the Issuer upon the request in writing of Securityholders holding at least 20 per cent. in principal amount of the Securities for the time being outstanding. Every meeting shall be held at a time and place approved by the Agent.

7. Convening notices for meetings of Securityholders shall be given to the Securityholders in accordance with Condition 11 (*Notices*) not less than fifteen days prior to the relevant meeting. The notice shall specify the day, time and place of the meeting and the nature of the resolutions to be proposed and shall explain how Securityholders may appoint proxies or representatives obtain Voting Certificates and use Block Voting Instructions and the details of the time limits applicable.

Arrangements for voting

8. A Voting Certificate shall:

8.1 be issued by a Recognised Accountholder or the NBB-SSS;

8.2 state that on the date thereof (i) Securities (not being Securities in respect of which a Block Voting Instruction has been issued which is outstanding in respect of the meeting specified in such Voting Certificate and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction of such Recognised Accountholder or the NBB-SSS) held to its order or under its control and blocked by it and (ii) that no such Securities will cease to be so held and blocked until the first to occur of:

(i) the conclusion of the meeting specified in such certificate or, if applicable, any such adjourned meeting; and

(ii) the surrender of the Voting Certificate to the Recognised Accountholder or the NBB-SSS who issued the same; and

8.3 further state that until the release of the Securities represented thereby the bearer of such certificate is entitled to attend and vote at such meeting and any such adjourned meeting in respect of the Securities represented by such certificate.

9. A Block Voting Instruction shall:

9.1 be issued by a Recognised Accountholder or the NBB-SSS;

9.2 certify that (i) Securities (not being Securities in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction of such Recognised Accountholder or the NBB-SSS) held to its order or under its control and blocked by it and that no such Securities will cease to be so held and blocked until the first to occur of:

(i) the conclusion of the meeting specified in such document or, if applicable, any such adjourned meeting; and

(ii) the giving of notice by the Recognised Accountholder or the NBB-SSS to the Issuer, stating that certain of such Securities cease to be held with it or under its control and blocked and setting out the necessary amendment to the Block Voting Instruction;

9.3 certify that each holder of such Securities has instructed such Recognised Accountholder or the NBB-SSS that the vote(s) attributable to the Security or Securities so held and blocked should be cast in a particular way in relation to the resolution or resolutions which will be put to such meeting or any such adjourned meeting and that all such instructions cannot be revoked or amended during the period commencing three (3) Business Days prior to the time for which such meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof;

9.4 state the principal amount of the Securities so held and blocked, distinguishing with regard to each resolution between (i) those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution, (ii) those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution and (iii) those in respect of which instructions have been so given to abstain from voting; and

9.5 naming one or more persons (each hereinafter called a "**proxy**") as being authorised and instructed to cast the votes attributable to the Securities so listed in accordance with the instructions referred to in 9.4 above as set out in such document.

10. If a holder of Securities wishes the votes attributable to it to be included in a Block Voting Instruction for a meeting, he must block such Securities for that purpose at least three (3) Business Days before the time fixed for the meeting to the order of the Agent with a bank or other depositary nominated by the Agent for the purpose. The Agent shall then issue a Block Voting Instruction in respect of the votes attributable to all Securities so blocked.

11. No votes shall be validly cast at a meeting unless in accordance with a Voting Certificate or Block Voting Instruction.

12. The proxy appointed for purposes of the Block Voting Instruction or Voting Certificate does not need to be a Securityholder.

13. Votes can only be validly cast in accordance with Voting Certificates and Block Voting Instructions in respect of Securities held to the order or under the control and blocked by a Recognised Accountholder or the NBB-SSS and which have been deposited at the registered office at the Issuer not less than three (3) and not more than six (6) Business Days before the time for which the meeting to which the relevant voting instructions and Block Voting Instructions relate, has been convened or called. The Voting Certificate and Block Voting Instructions shall be valid for as long as the relevant Securities continue to be so held and blocked. During the validity thereof, the holder of any such Voting Certificate or (as the case may be) the proxies named in any such Block Voting Instruction shall, for all purposes in connection

with the relevant meeting, be deemed to be the holder of the Securities to which such Voting Certificate or Block Voting Instruction relates.

14. In default of a deposit, the Block Voting Instruction or the Voting Certificate shall not be treated as valid, unless the chairman of the meeting decides otherwise before the meeting or adjourned meeting proceeds to business.

Chairman

15. 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 Securityholders 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 Securityholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

Attendance

16. The following may attend and speak at a meeting:

16.1 Securityholders and their agents;

16.2 the chairman and the secretary of the meeting;

16.3 the Issuer and the Agent (through their respective representatives) and their respective financial and legal advisers.

No one else may attend or speak.

Quorum and Adjournment

17. 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 Securityholders, 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, the meeting shall be dissolved.

18. One or more Securityholders or agents present in person shall be a quorum:

18.1 in the cases marked "**No minimum proportion**" in the table below, whatever the proportion of the Securities which they represent

18.2 in any other case, only if they represent the proportion of the Securities shown by the table below.

Purpose of meeting	**Any meeting except for a meeting previously adjourned through want of a quorum**	**Meeting previously adjourned through want of a quorum**
	Required proportion	Required proportion
To pass a special quorum resolution	75 per cent.	25 per cent.

To pass any Extraordinary Resolution	A clear majority	No minimum proportion
To pass an Ordinary Resolution	A clear majority	No minimum proportion

19. The chairman may with the consent of (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 paragraph or paragraph 17.

20. At least 10 days' notice of a meeting adjourned due to the quorum not being present shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. Subject as aforesaid, it shall not be necessary to give any other notice of an adjourned general meeting.

Voting

21. 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 or one or more persons representing 2 per cent. of the Securities.

22. 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.

23. 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.

24. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

25. On a show of hands or a poll every person has one vote in respect of each Security of the Securities 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.

26. 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.

Effect and Publication of an Extraordinary Resolution

27. An Extraordinary Resolution and an Ordinary Resolution shall be binding on all the Securityholders, 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 Ordinary Resolution or an Extraordinary Resolution to Securityholders within 14 days but failure to do so shall not invalidate the resolution.

Minutes

28. 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.

29. The minutes must be published in the Annexes of the Belgian State Gazette within fifteen (15) days after they have been passed.

Written Resolutions and Electronic Consent

30. If authorised by the Issuer and to the extent Electronic Consent is not being sought in accordance with paragraph 32, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution or an Ordinary Resolution passed at a meeting of Securityholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Securityholders through the relevant clearing system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

31. Where the terms of the resolution proposed by the Issuer have been notified to the Securityholders through the relevant clearing system(s) as provided in sub-paragraphs 31.1 and/or 31.2 below, the Issuer shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Securities outstanding (the "**Required Proportion**") by close of business on the Relevant Date ("**Electronic Consent**"). Any resolution passed in such manner shall be binding on all Securityholders, even if the relevant consent or instruction proves to be defective. The Issuer shall not be liable or responsible to anyone for such reliance.

31.1 When a proposal for a resolution to be passed as an Electronic Consent has been made, at least 15 days' notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Securityholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Securityholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

31.2 If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, the resolution shall be deemed to be defeated. Such determination shall be notified in writing to the Agent. Alternatively, the Issuer may give a further notice to Securityholders that the resolution will be proposed again on such date and for such period as determined by the Issuer. Such notice must inform Securityholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph 31.1 above. For the purpose of such further notice, references to "Relevant Date" shall be construed accordingly.

For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened in accordance with paragraph 6 above, unless that meeting is or shall be cancelled or dissolved.

32. A Written Resolution or Electronic Consent shall take effect as an Extraordinary Resolution or an Ordinary Resolutions. A Written Resolution and/or Electronic Consent will be binding on all Securityholders whether or not they participated in such Written Resolution and/or Electronic Consent.

CLEARING

The Securities are in dematerialised form in accordance with Articles 468 et seq. of the Belgian Companies Code. The Securities will be represented by a book entry in the records of the settlement system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**NBB-SSS**"). The Securities can be held by their holders through the participants in the NBB-SSS, including Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and through other financial intermediaries which in turn hold the Securities through Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or other participants in the NBB-SSS. Possession of the Securities will pass by account transfer.

Payment of principal and interest in respect of Securities will be made in accordance with the applicable rules and procedures of the NBB-SSS, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other NBB-SSS participant holding interest in the relevant Securities, and any payment made by the Issuer to the NBB-SSS will constitute good discharge for the Issuer. Upon receipt of any payment in respect of Securities, the NBB-SSS, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli and any other NBB-SSS participant, shall immediately credit the accounts of the relevant account holders with the payment. Securityholders are entitled to exercise their voting rights and other associative rights (as defined for the purposes of Article 474 of the Belgian Companies Code) against the Issuer upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or another participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Securities (or the position held by the financial institution through which their Securities are held with the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

USE OF PROCEEDS

The net proceeds of the issue of the Securities will be used by Belfius Bank for its general corporate purposes.

DESCRIPTION OF THE ISSUER

1 Belfius Bank profile

Belfius Bank SA/NV (the "**Issuer**" or "**Belfius Bank**") is a public limited company (*naamloze vennootschap/société anynome*) 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 1000 Brussels, Boulevard Pachécolaan 44, Belgium, telephone +32 22 22 11 11.

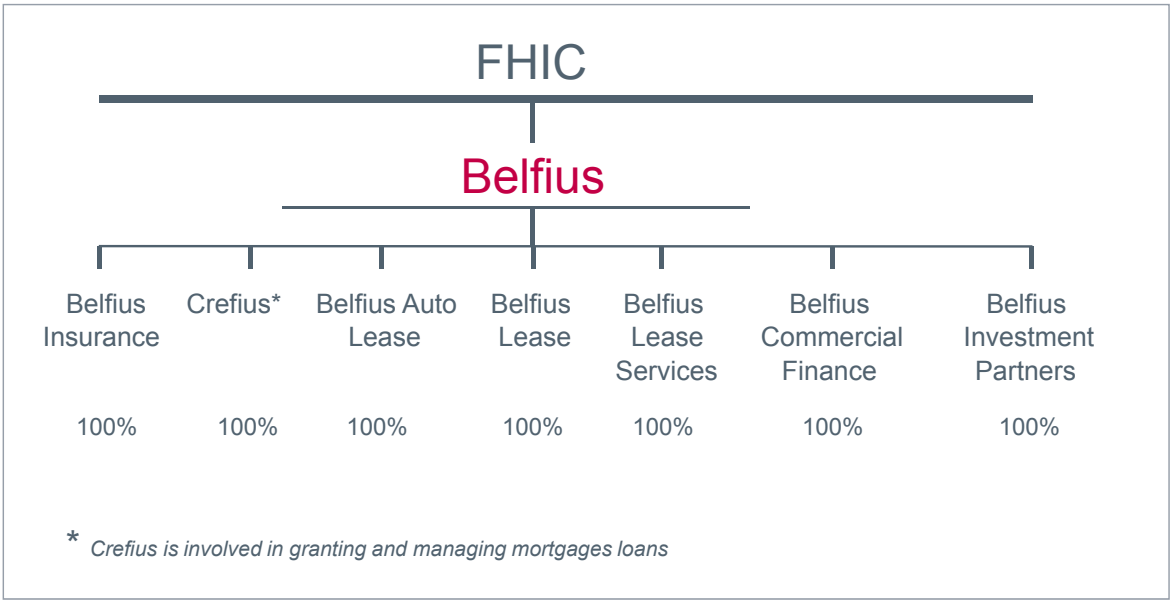
The share capital of Belfius Bank as at 31 December 2017 was three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company (FHIC), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC. Belfius Bank shares are not listed.

Within the framework of the governmental agreement announced in July, the Federal Government has given Belfius (as defined below) 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 per cent.).

At the end of 2016, total consolidated balance sheet amounted to EUR 177 billion. As at 30 June 2017, total consolidated balance sheet amounted to EUR 172 billion.

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

2 Simplified Group structure as at the date of this Prospectus



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

3 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. As at 30 June 2017, the total consolidated balance sheet of Belfius Insurance amounted to EUR 22 billion[1].

Crefius

Company servicing and managing mortgage loans. As at 30 June 2017, the total balance sheet of Crefius amounted to EUR 38 million[2].

Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. As at 30 June 2017, the total balance sheet of Belfius Auto Lease amounted to EUR 290 million[3].

Belfius Lease

Company for financial leasing and renting of professional capital goods. As at 30 June 2017, the total balance sheet of Belfius Lease amounted to EUR 755 million[4].

Belfius Lease Services

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. As at 30 June 2017, the total balance sheet of Belfius Lease Services amounted to EUR 1,883 million[5].

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1 For more details, see the annual report 2016 of Belfius Insurance.

2 Total IFRS balance sheet before consolidation adjustments

3 Total IFRS balance sheet before consolidation adjustments

4 Total IFRS balance sheet before consolidation adjustments

Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). As at 30 June 2017, the total balance sheet of Belfius Commercial Finance amounted to EUR 819 million[6].

Belfius Investment Partners

Company for administration and management of funds. As at 30 June 2017, the total balance sheet of Belfius Investment Partners amounted to EUR 45 million[7].

4 Results 2016

The consolidated net income rose for the fifth year in a row to EUR 535 million in 2016 against EUR 506 million in 2015, up 5.8 per cent. Belfius Bank contributed EUR 335 million and was mainly driven by the good commercial activity and a strict cost control. Belfius Insurance made a very sizeable contribution of EUR 201 million, despite the negative impact of exceptional factors such as terror attacks and floods.

The net income from commercial activities (Franchise) grew by 9 per cent. to EUR 666 million thanks to the rare combination of a rise in revenues (EUR 2,377 million, up 2.4 per cent. compared to 2015) and continuous lowering of costs (EUR 1,355 million, down by 2.1 per cent. compared to 2015). The cost-income ratio of the commercial activities improved significantly by 3 per cent. to 57 per cent. compared with 2015. The cost of risk remained stable (EUR 68 million), demonstrating the Franchise's continued good credit quality.

The total net income of the Side-activities amounted to EUR -130 million against EUR -105 million in 2015. In 2016 total income of the Side-activities amounted to EUR -118 million and was impacted by the active tactical de-risking programme (EUR 100 million losses before taxes) and negative fair value adjustments in more volatile financial markets. Cost of risk amounted to EUR 48 million compared to EUR 28 million in 2015. This increase results from specific impairment charges related to US RMBS.

The CET1 ratio phased in was 16.6 per cent. at 31 December 2016 compared to 15.9 per cent. at 31 December 2015. The CET1 ratio fully loaded was 16.1 per cent. at 31 December 2016 compared to 14.9 per cent. at 31 December 2015.

The total capital ratio phased in amounted to 19.4 per cent. at the end of 2016 against 17.7 per cent. at the end of 2015. The total capital ratio fully loaded amounted to 18.4 per cent. at the end of 2016 against 16.2 per cent. at the end of 2015.[8]

The regulatory risk exposure amounted to EUR 46.7 billion at the end of 2016, a decrease of 0.3 billion compared to 2015, thanks to further active tactical de-risking.

At the end of 2016, the Belfius leverage ratio phased in - based on the current CRR/CRD IV legislation - stood at 5.4 per cent., the leverage ratio fully loaded stood at 5.3 per cent.

5 Results first half-year 2017

Despite the persisting weakness of interest rates, the first half-year 2017 was marked by favourable conditions in the financial markets, and this had a positive impact on results.

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[5] Total IFRS balance sheet before consolidation adjustments

[6] Total IFRS balance sheet before consolidation adjustments

[7] Total IFRS balance sheet before consolidation adjustments

[8] The Solo CET1 Ratio and the Consolidated CET1 Ratio are calculated on the basis of the "Danish compromise", i.e., by applying a prudential deconsolidation of Belfius Insurance and applying a risk weighting of 370 per cent. on the acquisition value of the participation

Income increased by 8 per cent. compared with the same period last year and amounted to EUR 1.136 billion.[9]

By virtue of efficient and sustainable balance sheet and liquidity policy, Belfius Bank succeeded in preserving its interest margin and in raising net interest income of the bank by 8 per cent. from EUR 689 million in 1H2016 to EUR 744 million in 1H2017. In 1H2017, the net interest income represented 3.1 per cent. of the average RWA of Belfius Bank which is 0.2% higher compared with the same period last year and 0.1% higher compared to the 2015 and 2016 full year accounts. At the same time, net fee and commission income of the bank rose by 5 per cent. to EUR 264 million. In 1H2017, the proportion of the fee and commission income compared to the bank's average RWA stood at 1.1 per cent. which is the same as in 2016 and which stood at 1.0 per cent. in 2015.

At Belfius Insurance, life and non-life activities generated earnings of EUR 150 million and EUR 97 million respectively.

Other income (and charges) amounted to EUR - 119 million. These were primarily impacted by sector levies, in an amount of EUR 217 million, fully booked to the first half-year. Nevertheless, in a comparable period, other income for the first half-year was EUR 36 million higher than last year, in view of the end of the active and tactical risk reduction programme implemented last year, and the improvement of conditions on the financial markets. In addition, Belfius was able to take advantage of the general trend towards the standardisation of derivatives contracts.

Despite significant investments made in digitalisation, Belfius continues strictly to manage its costs. These posted a further fall of 2 per cent., from EUR 673 million in 1H2016 to EUR 662 million in 1H2017. The increase of income coupled with the reduction of costs, the "scissor effect", enabled the Cost-Income ratio to be improved by 6 per cent. compared with the same period last year, to 58.3 per cent.[10]

In view of the good credit quality of businesses and portfolios, the favourable economic environment and excellent risk management, the cost of risk, at EUR 29 million, remained at a low level. The Credit Cost ratio[11] of Retail and Commercial business line decreased from 10 bp at the end of 2015 and 2016 to 9 bp at 1H 2017. The Credit Cost ratio of Public and Corporate business line decreased from 7 bp at the end of 2015 and 2016 to 6 bp at 1H2017.

The net income before tax achieved by Belfius was EUR 445 million (+27 per cent. compared to 1H2016). After deduction of tax, the consolidated net profit was EUR 361 million (+45 per cent. compared to 1H2016). Belfius Bank and Belfius Insurance contributed to these results in amounts of EUR 235 million and EUR 126 million respectively.

The CET1 ratio phased in stood at 16.3 per cent. at 30 June 2017. The CET1 ratio fully loaded was 16.1 per cent. at 30 June 2017. The total capital ratio phased in amounted to 19.1 per cent. at the end 30 June 2017. The total capital ratio fully loaded amounted to 18.5 per cent. at the end 30 June 2017.

At the end of June 2017, the Belfius leverage ratio phased in, based on the current CRR/CRD IV legislation, stood at 5.4 per cent., the leverage ratio fully loaded stood at 5.3 per cent.

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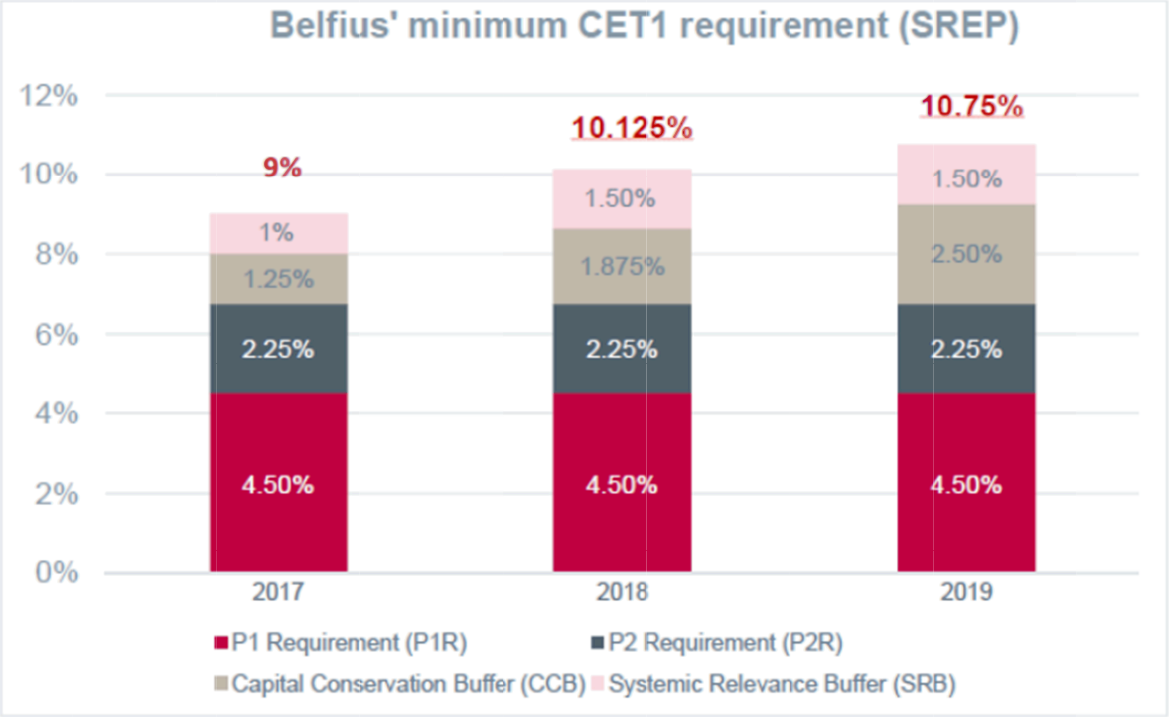
[9] EUR 1.136 billion is equal to 4.8 per cent. of Belfius Bank's average RWA in 1H2017, which is 0.4 per cent. higher compared with the same period last year. Total income compared to average RWA for the 2015 and 2016 full year accounts stood at, respectively 4.5 per cent. and 4.8 per cent.

[10] By way of comparison, the Cost-Income ratio for the 2015 and 2016 full year accounts stood at, respectively, 63.9 per cent. and 60.5 per cent.

[11] The Credit Cost ratio presents the ratio between the cost of risk of the loans in a business line and the average outstanding loans in that business line.

6 Minimum CET1 requirements (SREP)



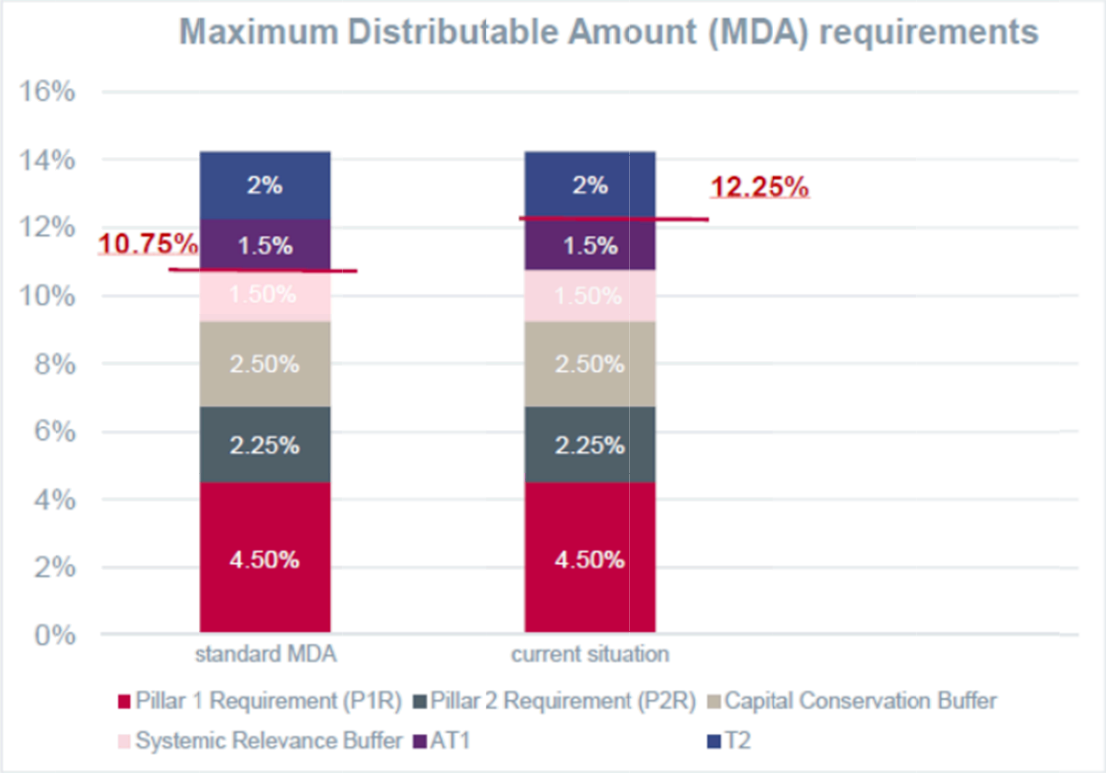
Based on the most recent supervisory review and evaluation process (SREP), Belfius is required to hold a phased in minimum CET1 requirement for 2018 amounts to 10.125 per cent., composed of:

- a Pillar 1 Requirement (P1R) of 4.5 per cent.,
- a Pillar 2 Requirement (P2R) of 2.25 per cent.,
- a Capital Conservation Buffer (CCB) of 1.875 per cent., and
- a buffer for (other) domestic systemically important institutions (O-SII buffer or Systemic Relevance Buffer) of 1.50 per cent.

The ECB also formally notified Belfius to set a Pillar 2 Guidance (P2G) of 1 per cent. for 2018 that must be met with CET1, to incorporate into capital planning, risk management and recovery planning frameworks, as an early warning-type signal.

Based upon the phasing in of the Capital Conservation Buffer which will increase from 1.875 per cent. in 2018 to 2.5 per cent. 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 per cent. fully loaded minimum CET1 requirement for 2019. This is the same requirement for Belfius on a solo basis as well as on a consolidated basis.

7 Maximum Distributable Amount



As mentioned above, Belfius is required to hold a fully loaded minimum CET1 ratio of 10.75 per cent. of RWAs, comprising 4.50 per cent. Pillar 1 requirement (P1R), 2.25 per cent. Pillar 2 requirement (P2R), 2.50 per cent. Capital Conservation Buffer and 1.50 per cent. Systemic Relevance Buffer in order to be above the level at which any Maximum Distributable Amount restriction would apply, assuming no capital shortfall to the AT1 and/or Tier 2 allowances under the applicable regulations. This is the same requirement for Belfius on a solo basis as well as on a consolidated basis. The Pillar 2 Guidance (P2G) is not part of the MDA restriction levels.

Given the fact that Belfius at this moment has no Additional Tier 1 instruments outstanding, this shortfall must be taken into account and brings the effective fully loaded minimum CET1 ratio requirement to 12.25 per cent. Considering an issue of Additional Tier 1 instruments for an aggregate principal amount of EUR 500,000,000, the effective fully loaded minimum CET1 ratio and fully loaded minimum Tier 1 ratio requirements will, respectively, amount to approximately 11.25 per cent. and 12.25 per cent.

These levels represent the expected future requirements on a solo and consolidated fully loaded basis, assuming the Pillar 2 Requirements and capital buffers remain constant.

Further to these regulatory requirements, in current market circumstances and under current regulations, Belfius has defined a minimum operational CET1 ratio target of 13.5 per cent., on solo and consolidated levels. This ratio is intended to maintain Belfius' distribution assessment and decision autonomy under stressed financial environments. In addition, Belfius will for the time being manage with a target CET1 ratio that will be 2 per cent. higher than this minimum operational level to take into account additional unforeseeable elements. Belfius intends to manage its solvency in line with this target ratio in normal times and on a steady state basis, unless the above mentioned buffer is (partially or entirely) used, and as long as regulations on statutory and/or consolidated capital ratios would not materially change.

Accordingly, if the realised solvency ratios would allow for it in view of the requirements set out above, Belfius could potentially consider proposing an extraordinary dividend.

As at 30 June 2017, Belfius' consolidated phased in CET1 ratio stood at 16.3 per cent and phased in total capital ratio at 19.1 per cent. On a solo basis phased in CET1 ratio stood at 16.2 per cent. and phased in total capital ratio at 19.0 per cent.

As at 30 June 2017, its fully loaded CET1 ratio stood at 16.1 per cent. and fully loaded total capital ratio at 18.5 per cent. on a consolidated basis. On a solo basis the fully loaded CET 1 ratio was 16.0 per cent., the fully loaded total capital ratio 18.6 per cent.

The difference between the solo and consolidated CET1 ratio is mainly due to scope differences whereby, at solo level, the subsidiaries are recorded at book value whereas, at consolidated level, the subsidiaries are fully consolidated, impacting not only regulatory own funds (retained earnings) but also RWA. The above does not apply to Belfius Insurance which is treated through Danish compromise at both solo and consolidated level.

8 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 into Group Center.

Retail and Commercial (RC)

The Retail and Commercial business line offers individuals and the self-employed, the liberal professions and SMEs a complete range of retail, commercial and private banking products as well as insurance services.

Belfius Bank is among the top 4 leading banks in Belgium and serves its approximately 3.5 million customers through 679 points of sale as of June 2017, a contact centre and a large number of automatic self banking machines, which makes Belfius Bank a 24-hour-a-day operation.[12] Belfius is leading in the mobile banking industry and provides state of the art apps.

In Belgium, for retail customers, Belfius Insurance combines the advantages of the exclusive agents network of DVV insurance with those of the Belfius Bank branch networks, whilst also relying on Corona Direct, a direct insurer active via the internet and "affinity partners".[13]

Strategy

The implementation of the Belfius 2020 strategy for Retail and Commercial, as charted in 2015, was launched in 2016.

The RC strategy aspires to achieve four ambitions by 2020:

[12] Source: statistics Febelfin.

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

- To go from 95 per cent. customer satisfaction towards committed customers who are prepared to actively recommend Belfius.
- To further develop a differentiated and digitally supported business model, with an ideal balance between qualitative relationship management on the one hand, and efficient, user-friendly direct channels on the other. Two complementary omni-channel approaches are being developed to that purpose: one with digital focus geared to retail customers combined with value-added branch interactions at key life moments, and the other with account management focus geared to privilege, private and business customers supported by very convenient digital tools.
- To increase the dynamic market share in core products to Belfius' aspired market share of minimum 15 per cent.
- To further implement Belfius' continued focus on processes with true added value for Belfius' customers, and as such target a further improvement in cost-income ratio to ≤ 60 per cent.

RC commercial performance in 2016

Commercial activity was particularly dynamic in 2016: total customer assets grew by 2.8 per cent. in 2016 to EUR 102.5 billion. After a strong increase in 2015, the organic growth further increased in 2016 by 33 per cent. to EUR 2.5 billion. EUR 34.2 billion of the total savings and investments is held by 66,000 private clients.

On-balance sheet deposits totalled EUR 62.0 billion at the end of 2016, slightly up (+3.2 per cent.) from the end of 2015. Customers adopted a rather wait-and-see attitude for deposits because of the historically low interest rates. There was very good growth in the funds deposited in current and savings accounts, which reached EUR 10.4 billion (+16.7 per cent. since the end of 2015) and EUR 40.0 billion (+7.2 per cent. since the end of 2015) respectively. Less capital found its way to long-term capital investments (a drop of 46.4 per cent. for savings certificates and a light increase of 2.2 per cent. for bonds issued by Belfius since the end of 2015).

Off-balance sheet investments went up by 5.8 per cent. compared to the end of 2015, to EUR 29.6 billion, and this thanks to a more pronounced customers' preference for products with potentially higher yields (mutual funds, mandates). Outstanding investments given to Belfius via mandates and service contracts grew further in 2016 by 13 per cent. to EUR 10.2 billion (compared to the end of 2015).

Life insurance reserves of investment products amounted to EUR 10.9 billion, down by 6.7 per cent. compared to the end of 2015. Investments in Branch 21 life insurance products decreased because of the low interest rates, but that drop was partially offset by Branch 23 products.

Total loans to customers rose strongly to EUR 42.1 billion at the end of 2016. The increase occurred in mortgage loans (+5.9 per cent. compared to the end of 2015) and business loans (+5.3 per cent. compared to the end of 2015). Mortgage loans, which account for two thirds of all loans, amounted to EUR 28.8 billion at the end of 2016, while consumer loans and business loans stood at EUR 1.4 billion and EUR 11.4 billion respectively.

New long term loans granted to retail clients during 2016 amounted to EUR 6.3 billion. These new long term loans are mainly mortgage loans. The new production of consumer loans in 2016 amounted to an increase of EUR 0.7 billion, up 14 per cent. compared to 2015, and reached the highest level ever for Belfius Bank. The production of long-term loans for the Business-segment increases to EUR 3.0 billion (+23 per cent. compared to the end of 2015).

The gross production of insurance products to customers in the Retail and Commercial segment amounted to EUR 1,130 million in 2016, compared with EUR 1,278 million in 2015, i.e. an 11.6 per cent. drop, in line with market tendencies.

Non-life insurance premiums amounted to EUR 504 million, up 5 per cent. compared to the end of 2015. This increase was possible thanks to further bank-insurance development and increased cross-selling activities, in particular with mortgage loans.

Life insurance premiums amounted to EUR 626 million, compared with EUR 798 million in 2015; a 21.6 per cent. drop. There is a strong decrease in Life Branch 23 premiums (-56.6 per cent. since the end of 2015) and a limited decrease in Life Branch 21 premiums (-2.7 per cent. since the end of 2015) This is due to low client appetite in low interest rate environment.

Total life insurance reserves, in the Retail and Commercial segment, dropped by 5.0 per cent. since the end of 2015 to EUR 13.4 billion at the end of 2016 as a result of a difficult context characterised by low interest rates. A clear shift between products can be noted in the life reserves. Unit-linked reserves (Branch 23) increased by 10 per cent. since the end of 2015, whereas guaranteed interest products reserves (Branch 21 and 26) dropped by 8 per cent since the end of 2015.

RC commercial performance in 1H2017

Commercial activity remained solid in the first six months of 2017. Total savings and investments grew by 2.6 per cent. in the first half of 2017 (i.e., compared to the end of 2016) to EUR 105.2 billion as at 30 June 2017. After a strong increase in 2016, the organic growth remained stable in 1H2017 at EUR 2.1 billion. EUR 35.8 billion of the total savings and investments is held by private banking clients. Investments via mandates and service-contracts increased since June 2016 by 21 per cent. to reach EUR 11 billion.

On-balance sheet deposits totalled EUR 63.5 billion as at 30 June 2017, slightly up (+2.4 per cent.) from the end of 2016. Customers adopted a rather wait-and-see attitude for deposits because of the historically low interest rates. There was very good growth in the funds deposited in current and savings accounts, which reached EUR 11.7 billion (+12.8 per cent. since the end of 2016) and EUR 41.1 billion (+2.7 per cent. since the end of 2016) respectively. Less capital found its way to long-term fixed rate investments (a drop of 13.2 per cent. since the end of 2016 for savings certificates and a decrease of 5.6 per cent. since the end of 2016 for bonds issued by Belfius).

Off-balance sheet investments went up by 6.0 per cent. compared to the end of 2016, to EUR 31.4 billion as a result of customers' preference for products with potentially higher yields (mutual funds, mandates). Strong net production in asset management and Branch 23 and Branch 44 insurances was supported by the successful development of new products (My Portfolio, Multimanager funds and Belfius Invest).

Life insurance reserves for investment products amounted to EUR 10.3 billion, down 5.6 per cent. compared to the end of 2016. Investments in Branch 21 life insurance guaranteed products decreased because of the low interest rates, but that drop was partially offset by the increase in Branch 23 and Branch 44 products.

Total loans to customers rose strongly to EUR 43.4 billion as at 30 June 2017. The increase occurred mainly in mortgage loans (+3.1 per cent. compared to the end of 2016) and business loans (+3.5 per cent. compared to the end of 2016). Mortgage loans, which account for two thirds of all loans, amounted to EUR 29.7 billion as at 30 June 2017, while consumer loans and business loans stood at EUR 1.4 billion and EUR 11.8 billion respectively.

New long-term loans granted to retail clients during 1H2017 amounted to EUR 3.3 billion. In the first half-year of 2017, the new production of mortgage loans increased by 15.3 per cent. to EUR 2.9 billion. During the

same period, EUR 1.6 billion in new long-term business loans were granted, up 14.1 per cent. compared to 1H2016.

The total insurance premiums from customers in the Retail and Commercial segment amounted to EUR 597 million in 1H2017, compared with EUR 562 million in 1H2016, an increase of 6.2 per cent.

Life insurance premiums amounted to EUR 319 million, compared with EUR 302 million in 1H2016, a 5.6 per cent. rise despite the historically low interest environment.

Non-life insurance premiums amounted to EUR 278 million, up 6.9 per cent. compared to 1H2016. This high growth was mainly possible thanks to the further development of the bank distribution channel, where Belfius Bank experienced a strong increase of 12.6 per cent. in non-life premiums written compared to 1H2016. Indeed, as a result of the "one-stop-shopping" concept of Belfius, the mortgage loan cross-sell ratio for fire insurance increased from 82 per cent. as at 30 June 2016 to 84 per cent. as at 30 June 2017. The mortgage loan cross-sell ratio for credit balance insurance went up from 142 per cent. as at 30 June 2016 to 145 per cent. as at 30 June 2017.

Total life insurance reserves, in the Retail and Commercial segment, dropped since the end of 2016 by 4.5 per cent. to EUR 12.8 billion as at 30 June 2017 as a result of a context characterised by historically low interest rates. A clear shift between products can be noted in the reserves. Life Branch 23 reserves increased by 11 per cent., whereas Life Branch 21 and 26 reserves fell by 7.5 per cent.

Belfius further developed its digitally supported business model in the first half of 2017. The number of new active retail and business customers rose by 147,000 (+12 per cent.), whereas the number of active mobile app users increased by 236,000 to 946,000 units in a one year, almost reaching the threshold of 1 million app users.

Belfius continues to extend the functionalities of its apps. In the first half of 2017, 41 per cent. of the new pension saving contracts, 27 per cent. of the new credit cards and 29 per cent. of the new savings accounts were subscribed via direct channels.

RC net income after tax amounted to EUR 234 million in 1H2017.

Public and Corporate (PC)

Belfius has always been the preferred partner of public sector and social organisations (hospitals, schools, universities, retirement homes) in Belgium. It provides its clients with a complete and integrated range of products and services, ranging from credit lending and treasury management, insurance products, to budget optimisation and financial IT solutions.

Corporate banking activities are directed principally at medium-sized corporates having a decision-making centre in Belgium and also at corporates offering their services to the public sector.

Strategy

As market leader in the Public and Social sectors from the outset, Belfius invests in dedicated products and services adapted to its customers so as to provide them a service that meets their needs. Public investments are however hindered by measures taken to reduce the budget deficit.

Belfius draws on its historical knowledge in this sector to help Belgian companies who wish to do business with the public authorities, thereby enabling them to benefit from a competitive advantage in this interesting market.

As such, Public and Corporate implements the following axes:

- to remain the leader in the Public & Social segment; and

- to continue its growth strategy in the market of Belgian corporates.

Aware of the challenges faced by the public authorities (such as the ageing of the population, healthcare, ageing infrastructures and sustainable development) and businesses (such as growth, innovation and transport), Belfius is aiming to bring together the driving forces through its Smart Belgium programme, and establish an ongoing cooperation between public authorities and businesses. Belfius is keen to create solutions that tackle the challenges faced by society in a smart and sustainable manner. To that end, Belfius is aiming to create a unique forum to match supply and demand, the smart ideas of the local authorities, the social sector, and small and large businesses, while providing efficient levers to realize such ideas and solutions with a view to supporting a more sustainable society.

PC commercial performance in 2016

At 31 December 2016, total customer assets were EUR 31.7 billion, an increase of 7.2 per cent. compared with the end of 2015. On-balance sheet deposits rose by EUR 1.3 billion (+6.3 per cent. since the end of 2015), to EUR 22.9 billion. The off-balance sheet customer investments registered a strong growth of 9.5 per cent. since the end of 2015 to reach EUR 8.2billion. Life insurance reserves of investment products amounted to EUR 0.6 billion in 2016.

Total outstanding loans went down slightly (-0.2 per cent. since the end of 2015) to EUR 38.3 billion. Outstanding loans in Public and Social banking are decreasing mainly due to lower demand than maturing stock, increased competition on the Public and Social Sector market, and the structural shift to more alternative financing. Intensified commercial strategy towards Belgian corporates results in 7.4 per cent. increase (compared to December 2015) of outstanding loans to EUR 9.5 billion as of end December 2016. Off-balance sheet commitments remained stable since the end of 2015 at EUR 20.1 billion.

Despite the continued weak market demand in the public and social sector, Belfius granted EUR 2.3 billion in new long-term lending in 2016, up 27 per cent. compared to 2015. Belfius also plays an active role in Debt Capital Markets business. During 2016 Belfius Bank launched innovative funding to the public and social sectors for a total amount of EUR 5.2 billion and increased its level of participation to 86 per cent. of the public issuers.

The production of long-term loans to corporate customers amounted to EUR 3.4 billion in 2016. The market share rose by 1.5 per cent. in 2016, while it grew by 1 per cent. in 2015. With its level of participation rising to 58 per cent., Belfius also confirmed its position as leader for bond issues and treasury certificates for corporate clients. In 2016, Belfius Bank launched EUR 0.9 billion of innovative funding to those clients.

With regards to insurance activities, the Public and Corporate segment recorded good income dynamics, in particular for non-life insurance products.

Non-life insurance premiums increased strongly in 2016 by 9.7 per cent. to EUR 133 million. This demonstrates the success of the strategy developed for property and casualty insurance products (fire, accidents, other risks), i.e. through sales via specialised brokers.

Gross premiums received in the life segment amounted to EUR 262 million, an increase of 1.0 per cent. thanks to the strong position and expertise enjoyed by Belfius in this niche market. Despite the constant reduction of the local authorities' room to manoeuvre and pressures on public finances, Belfius PubliPension (a "first-pillar" pension product) continues to respond to customer needs.

PC commercial performance in 1H2017

As at 30 June 2017, total savings and investments stood at EUR 30.8 billion, a decrease of 2.8 per cent. compared with the end of 2016. On-balance sheet deposits declined by EUR 0.8 billion (-3.6 per cent. since the end of 2016), to EUR 22.1 billion. The off-balance sheet investments registered a small decrease of 0.9

per cent. since the end of 2016 to reach EUR 8.1 billion. Life insurance reserves for investment products amounted to EUR 0.6 billion in as at 30 June 2017.

Total outstanding loans increased by 2.3 per cent. since the end of 2016 to EUR 39.2 billion. Outstanding loans in Public and Social banking remained stable mainly due to lower demand, increased competition on the Public and Social Sector market, and the structural shift to more alternative financing. Intensified commercial strategy towards Belgian corporates resulted in an increase of 8.4 per cent. (compared to December 2016) of outstanding loans to EUR 10.3 billion as of the end of June 2017. Off-balance sheet commitments decreased 4.5 per cent. since the end of 2016 to EUR 19.2 billion.

Despite the continued weak market demand in the public and social sector, Belfius granted EUR 0.7 billion in new long-term lending in the first half of 2017, down 18 per cent. compared to the same period of last year. Belfius continues to play an active role in Debt Capital Markets business. During 1H2017 the bank signed new funding agreements to the public and social sectors for a total amount of EUR 3.9 billion and kept its level of participation at 86 per cent. of the public issuers.

The production of long-term loans to corporate customers amounted to EUR 1.8 billion in the first half of 2017, up 23 per cent. compared to the same period of last year. With a participation rate of 56 per cent., Belfius also confirmed its strong position for bond issues and treasury certificates for corporate clients. In the first half of 2017, Belfius Bank launched EUR 1.1 billion of innovative funding to those clients.

With regard to insurance activities, the Public and Corporate segment recorded solid underwriting volumes, in particular for non-life insurance products.

Non-life insurance premiums increased in 1H2017 by 2.6 per cent. compared to 1H2016 to EUR 90 million. This demonstrates the success of the strategy developed for property and casualty insurance products (fire, accidents, other risks), i.e. through sales via specialised brokers, and is reflected in the increase in premium revenues for occupational accident cover and property damage cover.

Gross premiums received in the life segment amounted to EUR 158 million, a stabilization despite the historically low interest environment.

PC net income after tax amounted to EUR 105 million in 1H2017.

Group Center (GC)

Since the separation from Dexia Group at the end of 2011, Belfius presented its financial accounts in two segments:

- Franchise i.e. Belfius' core business lines; and
- Side i.e. Belfius' non core assets and exposures inherited from the Dexia era. Since the end of 2011, Belfius actively executed a tactical de-risking program with respect to its Side portfolios, resulting in a strong decrease of outstanding volumes and a positive evolution of the portfolios' key risk indicators. Thanks to these continued efforts, the risk profile of Side was brought in line with the targeted risk profile. Hence, as from 1 January 2017 onwards, Belfius integrated the remainder of Side into Franchise (i.e. Group Center) and no longer separates its financial reporting into the segments Franchise and Side.

As of today, Group Center (GC) mainly contains the residual results not allocated to the two commercial segments, as well as the residual interest rate and liquidity management results through internal transfer pricing between the business lines and ALM. The former Side segment has been totally integrated in this Group Center. In general, GC consists of:

- a bond portfolio, consisting of an ALM Liquidity bond portfolio and an ALM Yield bond portfolio;

- a derivatives portfolio, stemming from the former Side portfolio containing the collateralized interest rate derivatives with Dexia, non collateralized interest rate derivatives with international non financial counterparties and sold and bought credit guarantee contracts; and
- other activities such as financial markets services, the management of two former specific loan files (loans to Holding Communal[14] & Arco[15]) and the Group Center of Belfius Insurance.

These portfolios and activities are further described below:

Bond Portfolio

ALM Liquidity bond portfolio

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

As at 30 June 2017, the ALM Liquidity bond portfolio stood at EUR 8.1 billion, down 1 per cent. compared to December 2016, mainly due to the natural amortization of the portfolio. As at the end of June 2017, the portfolio was composed of sovereign and public sector (70 per cent.), corporate (3 per cent.), covered bonds (21 per cent.) and asset-backed securities (6 per cent.).

As at 30 June 2017, the ALM Liquidity bond portfolio has an average life of 9.4 years, and an average rating of A- (100 per cent. 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.

As at 30 June 2017, the ALM Yield bond portfolio stood at EUR 4.4 billion, down 9 per cent. compared to December 2016, mainly due to some sales, the natural amortization of the portfolio as well as foreign exchange impacts. As at the end of June 2017, the portfolio was composed of sovereign and public sector (10 per cent.), corporate (66 per cent.), financial institutions (9 per cent.) and asset-backed securities (15 per cent.).

As at 30 June 2017, the ALM Yield bond portfolio has an average life of 19.7 years, and an average rating of A- (93 per cent. of the portfolio being investment grade (IG)).

Derivatives portfolio

Dexia derivatives

While it was still part of the Dexia Group, the former Dexia Bank (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, mainly under standard contractual terms related to cash collateral. The former Dexia Bank systematically covered these derivative positions externally, as a result of which these derivatives broadly appear twice in Belfius accounts: once in relation to Dexia and once for hedging. Remaining outstanding notional amount of derivatives with Dexia amounted to approximately EUR 32.2 billion as at 30 June 2017, a further decrease of EUR 7.7 billion compared to the end of 2016.

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[14] Holding Communal, a holding company in liquidation, owned by all the municipalities and provinces of Belgium.

[15] The Arco group of cooperative entities comprises mainly Arcopar CVBA, Arcofin CVBA and Arcoplus CVBA. The Arco Group was part of the Catholic workers' organisation formerly known as ACW (subsequently renamed beweging.net). On 8 December 2011 the general assemblies of Arcopar, Arcofin and Arcoplus approved the proposal of their respective management boards to put each of the cooperatives into voluntary liquidation.

Credit derivatives

As at 30 June 2017, the credit derivatives portfolio amounted to EUR 4.2 billion, down EUR 0.4 billion compared to December 2016, mainly due to amortizations. It relates essentially to financial guarantees, total return swaps and credit default swaps issued on corporate/public issuer bonds (80 per cent.), asset-backed securities (17 per cent.) and covered bonds (3 per cent.). 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 per cent. investment grade (IG) in terms of credit risk profile.

As at 30 June 2017, the average rating of the portfolio remains at A- and the average residual life of the portfolio stood at 9.7 years.

Other Group Center activities

At the level of the bank, the management of two legacy loan files inherited from the Dexia era (Holding Communal & Arco), results on hedge solutions implemented for clients (so-called financial markets flow management activities) and the results on treasury activities (money market) are also allocated to Group Center. Finally, Group Center also contains the result or carries costs on assets and liabilities not allocated to a specific business line.

The Group Center of Belfius Insurance is fully allocated to this sub-part (iii) of the consolidated Group Center. Belfius Insurance Group Center contains income from assets not allocated to a specific business line, the cost of Belfius Insurance' subordinated debt, the results of some of its subsidiaries and the costs not allocated to a specific business line.

GC net income after tax amounted to EUR 22 million in 1H2017.

9 Post-balance sheet events

Green light given for IPO of Belfius

In April 2017, the Management Board and the Board of Directors made an announcement that it was their intention to list Belfius. The Federal Government, as sole shareholder, has decided to go ahead with the preparation of a partial privatisation. The privatisation could take place through a minority listing (maximum 49 per cent.) on the Belgian stock exchange if the sole shareholder decides to proceed with its plan to partially privatise Belfius.

Measures decided in summer agreement

The decision of the Belgian government on 26 July 2017 entailed several measures which Belfius is currently investigating. Among these measures is the decision to gradually decrease the corporate tax rate in Belgium from 33.99 per cent. to 29 per cent. in 2018 and 25 per cent. in 2020. The first high level impact analysis for Belfius shows a negative impact in the statement of income resulting from the reassessment of the deferred taxes (both deferred tax assets and liabilities) as well as a positive impact in "Other Comprehensive Income" following the reassessment of the deferred taxes (both deferred tax assets and liabilities).

New non-preferred senior debt issuance

By the amending law of 31 July 2017, the hierarchy of claims in case of resolution provided for in the Belgian Banking Law was modified to allow the creation of a new class of non-preferred senior debt instruments ranking between subordinated debt and other senior unsecured creditors. Belfius has issued 2 benchmark issues of non-preferred senior instruments in September and October 2017 and intends to further build up its layer of MREL eligible instruments by further issuances in the upcoming years.

Provisional foreseeable dividend for 2017

As set out in the 1H2017 report, Belfius Bank foresees to pay out EUR 275 million over the full year profit of 2017 (of which EUR 75 million has already been paid out as interim dividend in September 2017).

10 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 an increase of investments. As a result, job creation peaked. Against this background, lending to the Retail and Commercial business line 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 per cent. 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 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). 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 tests and realised statistics indicate that 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 per cent. more than in 2016. The number of bankruptcies increased most in the Brussels-Capital Region, i.e., by 34.3 per cent. The increase in the Walloon Region remained limited to 7.2 per cent., while Flanders showed a decrease of 1.9 per cent. At the sectoral level, the hotel and catering industry suffered 2,149 bankruptcies (+8.1 per cent.). More bankruptcies were also pronounced in the sectors of construction, business services, transport and car dealerships. As a result, 21,297 jobs were put at risk, which is 2.8 per cent. 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 cent. per year) and of capital expenditures (-6.0 per cent. per year), which both compensated for the rise of their current expenditures (+1.2 per cent. 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 per cent. This historically low level of investment 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 cent. 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 per cent. 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, in particular related to the management of

public real estate and infrastructure (with respect to public utilities), are 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.[16]

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 per cent., 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 and the announced reduction of the corporation tax may 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 difficult government formation in Germany, the constitutional crisis in Catalonia and Brexit may create difficulties. Brexit could especially weight on Belgium's economic expansion: 8.8 per cent. of Belgian exports are directed to the UK, representing 7.7 per cent. 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

[16] Belfius study: local finances. Available at https://www.belfius.be/publicsocial/FR/Expertise/Studies/LokaleFinancien/index.aspx.

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 acceptation criteria (LTV, maturity, collateral valuation) on new transactions and a solid monitoring of projects, in both residential and commercial real estate financing. Belfius real estate credit exposure is considered as being correctly diversified in terms of underlying asset types, individual name concentration and geographical spread.

Finally it is worth mentioning that Belfius further intensified its portfolio management in the course of 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 between each other.

Exposure to credit risk

As at 30 June 2017, the total credit risk exposure, within Belfius, reached EUR 177.4 billion, up EUR 5 billion or 3 per cent. compared to the end of 2016. This growth is mainly due to higher commercial activities in the first half of 2017 and to an increase of the deposit facility at the NBB.

At bank level the credit risk exposure increased with 4 per cent. to EUR 161.3 billion. At the level of Belfius Insurance, the credit risk exposure went down by 5 per cent. to EUR 16.1 billion as at 30 June 2017.

	Breakdown of credit risk by counterparty	
	31 December 2016	**30 June 2017**
	(In EUR billion)	
Central governments	20.3	24.7
Of which government bonds	13.4	12.7
Public sector entities	50.3	49.0
Corporate	27.5	27.7

	Breakdown of credit risk by counterparty	
	31 December 2016	**30 June 2017**
	(In EUR billion)	
Monoline insurers	4.2	3.8
ABS/MBS	1.4	1.3
Project Finance	2.1	2.1
Individuals, self-employed and SME's	42.3	43.8
Financial institutions	23.6	24.3
Other	0.7	0.8
Total	172.4	177.4

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (28 per cent. of the total) and on individuals, self-employed and SMEs (25 per cent. of the total) constitute the two main categories.

The relative proportion of the segment central governments increased from 12 per cent. at the end of 2016 to 14 per cent. end of June 2017. This growth is a direct consequence of Belfius' increasing excess liquidities posted at the National Bank of Belgium. Inside this segment, the credit risk on government bonds decreased by 5 per cent. from EUR 13.4 billion at the end of 2016 to EUR 12.7 billion as at 30 June 2017. More than half (57 per cent.) of the government bonds portfolio is invested in Belgian government bonds. While at bank level the Belgian government bonds represent 36 per cent. of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 76 per cent.

As at the end of June 2017, the credit risk exposure on corporates and financial institutions was respectively 15 per cent. and 14 per cent. The credit risk on monoline insurers (2 per cent. of the total) on bonds issued by issuers mainly 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.

Belfius' positions are mainly concentrated in the European Union: 95 per cent. or EUR 153.4 billion at bank level and 98 per cent. or EUR 15.9 billion for Belfius Insurance. 68 per cent. of the total credit risk exposure is on counterparties categorised in Belgium country exposures, 7 per cent. in the United Kingdom, 6 per cent. in France, 3 per cent. in Italy and 2 per cent. in Spain. The credit risk exposure to counterparties in the United Kingdom amounted to EUR 11.8 billion. About half of this credit risk exposure concerns bonds, of which close to two-third are inflation-linked, issued by utilities and infrastructure companies in the United Kingdom that operate in regulated sectors such as water and electricity distribution. These bonds are of satisfactory credit quality (97 per cent. 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 satisfactory credit quality. The credit risk exposure to counterparties in Italy amounted to EUR 5.8 billion, of which EUR 3.7 billion of Italian government bonds.

As at 30 June 2017, 84 per cent. of the total credit risk exposure had an internal credit rating which was investment grade (IG).

Asset quality

As at 30 June 2017, the amount of impaired loans and advances to customers was EUR 2,059 million, down 11 per cent. compared to December 2016. This decrease results, mainly from the partial sale in the first half of 2017 of conditionally US government guaranteed reverse mortgages that were downgraded to non-performing in 2016 and for which a specific impairment charge was booked. In 1H2017, the specific impairments on loans and advances to customers decreased to EUR 1,223 million.

The asset quality ratio improved from 2.54 per cent. at the end of 2016 to 2.23 per cent. as at 30 June 2017 and the coverage ratio further strengthened from 54.4 per cent. to 59.4 per cent.

In the first half of 2017, collective impairments on loans and advances to customers decreased by EUR 7 million to EUR 321 million.

Liquidity risk

Consolidation of the liquidity profile

During the first half of 2017, Belfius consolidated it's diversified liquidity profile by:

- stabilising its funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors; and
- collecting short and medium-term (CP/CD/EMTN) deposits from institutional investors.

In March 2017, Belfius Bank increased its participation in the Targeted Longer-Term Refinancing Operations ("**TLTRO**") II funding programme of the ECB with EUR 1 billion, amounting to EUR 4.0 billion at the end of June 2017 with a purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded). The loans which are provided under the TLTRO II funding programme are loans with a maturity of four years which is meant to provide banks with stable and dependable funding.

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 per cent.). Belfius Bank closed June 2017 with a LCR of 128 per cent. The LCR of the bank has remained above 100 per cent. during the first half of 2017. In Belgium the law requiring banks to respect a LCR of 100 per cent. has been cancelled in 2016 and the minimum LCR requirement is 80 per cent. for 2017 as introduced in the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 with regard to liquidity coverage requirement for Credit Institutions.

The Net Stable Funding Ratio (NSFR), based on Belfius Bank's current interpretation of current Basel III rules, stood at 115 per cent. as at 30 June 2017 (compared to a required ratio of 100 per cent. under Basel III as from 1 January 2018).

Minimum requirement for own funds and eligible liabilities

It is expected that a formal Minimum Requirement for own funds and Eligible Liabilities (MREL) level will be given to Belfius by SRB in 2018. At this stage, no formal MREL target has been communicated to Belfius. Based on the recent disclosures on MREL published by SRB, Belfius' estimated mechanical target[17] at the

[17] Potential MREL requirement, published by SRB in November 2016, could be equal to the higher of:

- Double (Pillar 1 + Pillar 2 requirement)+ Combined Buffer (CBR). Including the Market Confidence Charge (equal to the CBR less 125 bps) Belfius' mechanical target would potentially amount to 27.25 per cent. of RWA; or
- 8 per cent. of total liabilities and own funds (taking into account derivative netting where applicable).

end of 2017 would potentially amount to 27.25 per cent. of risk exposures. At the end of 2017, Belfius' MREL level was at 24 per cent.

This target is surrounded by uncertainties as the European Commission published a revised legislative proposal related to MREL requirements on 23 November 2016 (BRRD). This proposal is still under negotiation at the European level at the time of the finalization of this 1H2017 report.

As of today the SRB has not yet fully clarified which unsecured long term funding will be MREL-eligible. If (part of) Belfius' unsecured funding would no longer be MREL eligible, it is Belfius' intention to roll, at maturity during the coming years, into MREL-eligible instruments.

Liquidity reserves

As at 30 June 2017, Belfius Bank had quickly mobilisable liquidity reserves of EUR 34.5 billion. These reserves consisted of EUR 9.9 billion in cash, EUR 11.0 billion in ECB eligible bonds (of which EUR 7.0 billion are CCP-eligible[18]), EUR 11.1 billion in other assets also eligible at the ECB and EUR 2.6 billion in other liquid bonds.

These reserves represent 4.9 times Belfius's institutional funding outstanding at the end of June 2017 and having a remaining maturity of less than one year.

During the first half of 2017, Belfius has exercised its option to repurchase the transferred mortgage loans from the retained vehicle Penates 4 and simultaneously issued Penates 6 also fully retained on the balance sheet. This operation had a net positive impact of EUR 3.6 billion on the total liquidity buffer.

Funding diversification at Belfius Bank

Since the end of 2016, total funding of Belfius Bank increased from EUR 108 billion to EUR 112 billion as at 30 June 2017. Retail and Commercial (RC) and Public and Corporate (PC) funding (commercial funding) represent an important part of the total funding of Belfius Bank totalling EUR 85 billion of which EUR 64 billion comes from RC-clients. Commercial funding increased by EUR 1 billion since December 2016 but reduced its relative importance (to 77 per cent.) in total funding following a large increase of interbank and repo funding.

Belfius Bank also receives medium-to-long-term wholesale funding, including EUR 8.4 billion from covered bonds (EUR 6.1 billion backed by mortgage loans and EUR 2.3 billion by public sector loans), Asset Backed Securities (ABS) issued for EUR 0.5 billion and EUR 4.0 billion in Targeted Longer-Term Refinancing Operations (TLTROs) funding from the ECB as at 30 June 2017.

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

In September 2017, Belfius launched its first non-preferred senior benchmark (EUR 750 m.), followed by a second issue (EUR 500 m.) in October 2017. Those transactions contribute to comply with the expected MREL needs of Belfius.

The collected funding is used, firstly and most importantly, to finance the granting of loans to RC and PC clients.

Next to that, Belfius Bank also has a high quality LCR eligible buffer held to meet the LCR requirement, and a yield portfolio.

[18] CCP = Central Counterparties.

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

The loan-to-deposit ratio, which indicates the proportion between assets and liabilities of the commercial balance sheet, was 92 per cent. as at 30 June 2017, compared to 90% as at 31 December 2016 and 91% as at 31 December 2015.

Encumbered assets

According to the current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 36.4 billion at the end of June 2017 and represent 23.1 per cent. of total bank balance sheet and collateral received under securities format, which amounts to EUR 157.6 billion (EUR 152.9 billion assets and EUR 4.7 billion collateral received). This represents a decrease of the asset encumbrance ratio (as defined in Annex III to the Commission Implementing Regulation (EU) 2015/79) of 0.6 per cent. compared to the end of 2016.

Since the set-up of the first covered bond programme in 2012, Belfius Bank has issued covered bonds for a total amount of EUR 8.4 billion. At the end of June 2017, the assets encumbered for this funding source are composed of commercial loans (public sector and mortgage loans) and amount to EUR 10.6 billion.

During the first half of 2017, Belfius Bank securitised mortgage loans through the issue of a new vehicle (Penates 6), with a limited impact on the encumbered amount. Mortgage loans encumbered for the Penates 5 and Penates 6 issues amount to EUR 0.5 billion.

Belfius Bank is also collecting funding through repo markets and other collateralised deposits. At the end of June 2017, the total amount of assets used as collateral for this activity amounts to EUR 8.2 billion, of which EUR 4.4 billion is linked to the ECB funding and EUR 2.6 billion is linked to repo transactions.

It is worth mentioning that, during the first half 2017, the volume of assets encumbered for the ECB funding and for repo transactions increased with respectively EUR 1.2 billion and EUR 1.7 billion. The TLTRO II funding increased by EUR 1.0 billion to 4.0 billion during the first half of the year 2017.

The balance of encumbered assets is mainly linked to collateral pledged (gross of collateral received) for the derivatives exposures for EUR 14.6 billion (decrease of EUR 3.9 billion compared to the end of 2016), in the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom Belfius 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.

11 Ratings

At 31 December 2017, Belfius Bank had the following ratings:

	Long-term rating	**Outlook**	**Short-term rating**
Fitch	A-	Stable	F2
Moody's	A2	Positive	Prime-1
Standard and Poor's	A-	Stable	A-2

12 Other information

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

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.

13 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 Region de Bruxelles-Capitale*) summoned Belfius Bank before the Brussels Commercial Court. The Housing Fund subscribed for a total amount of EUR 32,000,000 of 4 treasury notes issued by Municipal Holding (*Gemeentelijke Holding/Holding Communal*) between July and September 2011(Commercial Paper Programme). Following the liquidation of Municipal Holding, the Housing Fund could only receive repayment for EUR 16,000,000. It demands the payment by Belfius Bank of the non-repaid capital. As the loss incurred on this investment is the result of a voluntary waiver of the claim by the Housing Fund, which matches half of the investment, Belfius Bank rejects the demand from the Housing Fund.

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

There was no significant evolution in this claim during 2017. The date of the hearings is not yet known.

No provision has been made for this claim.

BBTK and ACLVB

On 8 May 2014, two trade unions within Belfius Bank, BBTK[19] and ACLVB[20], summoned Belfius Bank before the Brussels Labour Tribunal. They demand the annulment of the collective bargaining agreements ("**CBAs**") that Belfius Bank signed in 2013 with two other trade unions of the Bank. BBTK and ACLVB are of the opinion that these collective bargaining agreements amend, without their consent, previous collective bargaining agreements Belfius Bank also concluded with them. Their stance was that CBAs signed by all trade unions can only be amended with the consent of all the initial trade unions.

The Labour Court issued a final judgment on 8 December 2017. In this judgment, it is decided that the unions' claim with regard to the annulment of the Plan 2016 CBAs for all Belfius Bank employees is not admissible.

BBTK and ACLVB have confirmed that they won't appeal the Labour Court's judgment. Therefore, this judgement has become definitive and the Plan 2016 CBAs are applicable towards all employees and all unions within Belfius Bank. However, (ex-) employees could still individually claim, in new court proceedings, the application of the previous CBAs. In addition to the fact that Belfius believes that such claims have very little chance of success, the consequences of such new legal proceedings would not be material.

Arco – Cooperative shareholders

Belfius Bank has been summoned by Arco - Cooperative shareholders in two separate procedures, i.e. a procedure before the Dutch speaking Commercial Court of Brussels and another procedure before the Court of First Instance of Antwerp, Section Turnout:

- On 30 September 2014, 737 shareholders from 3 companies of the Arco Group (Arcopar, Arcoplus and Arcofin) summoned Belfius Bank, together with the 3 aforementioned Arco companies, before the Dutch speaking Brussels Commercial Court. Principally, they demanded the annulment of their agreement to join the capital of these 3 companies as shareholder, based on fraud or error. They demand that the Court orders Belfius Bank jointly and severally and in solidum with each of the 3 above mentioned Arco companies to repay their capital contributions, increased by interest and compensation. On an ancillary basis, they applied to the Commercial Court to order Belfius Bank to pay compensation based on an alleged shortcoming in its information duty towards them. Amongst other reasons because the file submitted by the individual shareholders lacks information with respect to proof and assessment of damages, Belfius cannot assess the content of the claim and has to reject it.

  On 19 December 2014, 1,027 shareholders and on 15 January 2016, 466 other shareholders of the 3 above mentioned Arco companies joined the summons on a voluntary basis. Belfius has asked for their files so that it can evaluate the content of their claim.

  On 17 December 2015, 2,169 shareholders of the 3 above mentioned Arco companies issued a writ to the Belgian State for compulsory intervention. They demand that the Commercial Court orders the Belgian State to pay compensation based on the alleged illegality of the guarantee scheme the Belgian State enacted in favour of Arco shareholders. This demand is subordinated to the rejection of their claims against Belfius Bank for the annulment of their contributions and has no negative impact on Belfius Bank.

  In June 2017, the claimants have asked the court to set briefing deadlines and a hearing date. Hearings are scheduled for June 2021.

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[19] Bond van bedienden, technici en kaders.

[20] Algemene Centrale der Liberale Vakbonden van België.

There was no other significant evolution in this claim during the second half of 2017.

- Belfius Bank has also been summoned by three Arco-shareholders (Arcopar) on 24 October 2016 to appear before the Court of First Instance of Antwerp, Section Turnhout. The claimants demand a compensation from Belfius Bank on the basis of an extra-contractual liability. They allege that Belfius Bank would have given them misleading or at least incorrect advice. Belfius' defence is currently being prepared, whereby the main objective is to demonstrate that Belfius Bank has committed no mistake at all. In the alternative order, in the hypothesis that any claim against Belfius Bank were to be accepted, then Belfius Bank has initiated a hold harmless claim against Arcopar. The case will normally be pleaded in October 2018.

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

Ethias is currently managing one of Belfius' pension plans in a segregated fund, whereby 100 per cent. 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 claimed an exorbitant increase in management fees, even though this is not in accordance with the existing agreements. In view of Belfius Bank's refusal on this increase, Ethias terminated the profit sharing agreement and threatened to transfer unilaterally the pension plan assets towards Ethias' main fund. Should that happen, Belfius Bank would be compelled to evaluate these assets based on Ethias' guaranteed rates (rather than at market value) with a negative impact on Belfius Bank's Other Comprehensive Income (OCI) as a consequence.

In order to prevent this, Belfius Bank has summoned Ethias before the Court in Brussels in summary proceedings on 23 December 2016. On 18 January 2017, the Court prohibited the transfer of the assets, subject to a penalty up to EUR 3 million, and ordered Ethias to continue allocating 100 per cent. 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 (still summary proceedings) ruled against Ethias again and maintained the prohibition to transfer the plan's assets. However, because summary proceedings do not allow an adjudication on the merit, the Court also ruled that Ethias was no longer required to allocate 100 per cent. of the financial gains to the pension plan.

Alongside the summary proceeding, a proceeding on the merit was also introduced by Belfius Bank at the commercial court of Brussels on 12 January 2017. A first judgment is expected in 2018 (2H). Based on clear and valid contractual provisions, Belfius is of the opinion that Ethias may not (i) unilaterally de-segregate the pension fund; and (ii) terminate the profit sharing agreement.

The valuation of the assets remains marked-to-market at the end of 2017. Consequently no OCI impact is taken into account with respect to this litigation.

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 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 the anti-money laundering obligations and 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). The Dexia Group was dismantled in 2011 and Belfius Bank – formerly Dexia Bank Belgium – has since then been a stand-alone bank with the Belgian State as ultimate shareholder.

Following the Belgian Parliamentary "Panama Papers" Commission in 2016, the bank spontaneously undertook an internal audit. Although individual cases can never be ruled out in a bank the size of Belfius, the audit showed no evidence of structural involvement of Belfius Bank in helping its clients creating shell companies in Panama.

14 Management and Supervision of Belfius Bank

Belfius Bank complies with its country of incorporation's corporate governance regime, such as set forth by the Belgian Banking Law and the Companies Code.

Composition of the management board and the Board of Directors

1. ***Management Board***

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

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

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

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

The Board of Directors has delegated all of its management powers to the Management Board set up from among its members. 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.

Working 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.

2. *Board of directors*

Belfius Bank is managed by its Board of Directors, which is entitled to take any action the right to which is not expressly reserved to the General Meeting of Shareholders of Belfius Bank by law or the articles of association of Belfius Bank. In accordance with 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 Board of Directors has the right to make an exception to the aforementioned principles on a case-by-case basis if it considers it to be in Belfius Bank's best interest.

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

Composition as at the date of the Prospectus

As at the date of this Prospectus, the Board of Directors consists of 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.

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

Name	Position	Significant other functions performed outside Belfius Bank
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
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 Eurogentec
Carine Doutrelepont.....	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 Management School of the University of Liège 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
Chris Sunt.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Lawyer

Name	Position	Significant other functions performed outside Belfius Bank
Lutgart Van Den Berghe.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Executive Director at Guberna and Extraordinary Professor at the Vlerick Business School
Rudi Vander Vennet.....	Member of the Board of Directors of Belfius Bank (Independent Director)	Full Professor in Financial Economics and Banking at the University of Ghent (UG)

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

Advisory committees set up by the Board of Directors

The Board of Directors of Belfius Bank has established various advisory committees to assist in its task, i.e. a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of Non-Executive Directors. At least one member of each advisory committee is independent within the meaning of Article 526ter of the Companies Code.

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

1. ***Nomination committee***

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

Name	Position
Lutgart Van Den Berghe.....	Chairman – Director of Belfius Bank
Jozef Clijsters.....	Member - Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepont.....	Member - Director of Belfius Bank
Johan Tack	Invitee 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 filling vacancies on the Board of Directors, evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected;

- decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target;
- periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- periodically, and at least annually, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors and advisory committees, both individually and collectively, and reports to the Board of Directors accordingly;
- periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations to the Board of Directors;
- prepares proposals for the appointment or mandate renewal as the case may be of directors, members of the Management Board, the Chairman of the Board of Directors and the Chairman of the Management Board;
- assesses the aptitude of a director or a candidate director to meet the criteria set forth for being considered as an independent director;
- examines questions relating to problems with the succession of directors and members of the Management Board;
- establishes a general and specific profile for directors and members of the Management Board;
- ensures the application of provisions with regard to corporate governance;
- prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- assesses the governance memorandum each year and if necessary proposes amendments;
- checks observance of corporate values;
- 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 both Belfius Bank and Belfius Insurance.

2. ***Remuneration committee***

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

Name	Position
Lutgart Van Den Berghe.....	Chairman - Director of Belfius Bank
Jozef Clijsters.....	Member - Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepont.....	Member - Director of Belfius Bank
Johan Tack	Invitee 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. The Board of Directors submits these remuneration proposals to the General Meeting for approval.
- Developing the remuneration policy as well as making practical proposals for the remuneration of the chairman of the Management Board and, on his proposal, for the remuneration of the members of the Management Board. The Board of Directors then determines the remuneration of the chairman and the members of the Management Board.
- Providing advice about the proposals made by the chairman of the Management Board of Belfius Bank in relation to the severance remuneration for members of the Belfius Bank Management Board. On the proposal of the remuneration committee, the Board of Directors of Belfius Bank determines the severance remuneration of the chairman and members of the Belfius Bank Management Board.
- Advising the Board of Directors in relation to the remuneration policy for employees whose activity has a material 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 and Belfius Insurance.

3. ***Audit committee***

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

Name	**Position**
Georges Hübner	Chairman Director of Belfius Bank
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.

4. ***Risk Committee***

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

Name	**Position**
Rudi Vander Vennet.....	Chairman Director of Belfius Bank
Georges Hübner	Member Director of Belfius Bank
Chris Sunt.....	Member Director of Belfius Bank
Diane Rosen	Member Director of Belfius Bank

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

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

- appetite and strategy regarding Belfius Bank's current and future risks, more particularly the effectiveness of the risk management function and the governance structure to support them;
- monitoring implementation of risk appetite and strategy by the Management Board;
- allocating the risk appetite to various categories of risks and defining the extent and limits of risk in order to manage and restrict major risks;
- considering the risks run by Belfius Bank with its customer tariffs.
- assessing activities which expose Belfius Bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and Belfius Bank's liquidity situation;
- the guarantee that risks are proportional to Belfius Bank's capital;
- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on Belfius Bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing Belfius Bank; and
- monitoring the Internal Capital Adequacy Assessment Process (ICAAP) and the Recovery Plan.

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

The Risk Committee and the Audit Committee periodically exchange information in particular concerning the quarterly risk report, the specific report on operational risks, the effective 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.

5. ***Mediation Committee***

A Mediation Committee has been established within the Belfius group.

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

Chairman	Jozef Clijsters Chairman of the Board of Directors of Belfius Bank and Belfius Insurance
Members	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.

15 Selected financial information

Consolidated balance sheet

	Notes	31 December 2015	31 December 2016	30 June 2017
			(in thousands of EUR)	
Assets				
Cash and balances with central banks	5.2.	576,276	5,111,050	10,315,836
Loans and advances due from banks	5.3.	24,318,002	22,002,553	15,181,010
Loans and advances to customers	5.4	87,189,152	89,702,399	90,682,787
Investments held to maturity	5.5	5,017,155	5,393,247	5,513,685
Financial assets available for sale	5.6	19,733,565	18,819,789	17,243,163
Financial assets measured at fair value through profit or loss	5.7	3,222,991	2,985,979	3,742,341
Derivatives	5.9	25,943,567	25,307,222	21,666,134
Fair value revaluation of portfolio hedge		4,372,902	4,533,779	3,885,521
Investments in equity method companies	5.10	106,775	97,044	98,093
Tangible fixed assets	5.11	1,199,789	1,091,687	1,096,780
Intangible assets	5.12	81,941	122,541	139,224
Goodwill	5.13	103,966	103,966	103,966
Current tax assets		6,116	10,662	37,823
Deferred tax assets	5.14	565,622	405,847	376,290
Other assets	5.15	1,169,777	1,004,389	1,044,870
Non current assets (disposal group) held for sale and discontinued operations	5.16	3,354,528	28,772	511,638
Total assets		176,962,124	176,720,926	171,639,161

	Notes	31 December 2015	31 December 2016	30 June 2017
			(in thousands of EUR)	
Liabilities				
Due to banks	6.1	11,537,622	12,581,830	14,686,868
Customer borrowings and deposits	6.2	68,162,754	74,171,040	75,020,344
Debt securities	6.3	27,777,552	23,981,430	22,736,916
Financial liabilities measured at fair value through profit or loss	6.4	6,916,469	7,524,251	8,105,847
Technical provisions of insurance companies	6.5	16,688,571	15,990,324	14,921,761
Derivatives	5.9	30,060,085	29,572,521	22,954,432
Fair value revaluation of portfolio hedge		226,472	207,474	111,900
Provisions and contingent liabilities	6.6	405,543	412,243	396,412
Subordinated debts	6.7	913,004	1,398,653	1,205,524
Current tax liabilities		42,369	60,609	40,915
Deferred tax liabilities	5.13	271,967	272,877	262,818
Other liabilities	6.8	2,056,561	1,535,952	1,907,363
Liabilities included in disposal group and discontinued operations	6.9	3,243,438	0	0
Total liabilities		168,302,407	167,709,206	162,351,099

	Notes	31 December 2015	31 December 2016	30 June 2017
			(in thousands of EUR)	
Equity				
Subscribed capital		3,458,066	3,458,066	3,458,066
Additional paid-in capital		209,232	209,232	209,232
Treasury shares		0	0	0
Reserves and retained earnings		4,135,228	4,491,306	4,886,534
Net income for the period		506,076	535,229	360,945
Core Shareholders' Equity		8,308,602	8,693,833	8,914,777
Remeasurement available-for-sale reserve on securities		757,329	729,864	734,076
Frozen fair value of financial assets		(544,177)	(498,653)	

	Notes	31 December 2015	31 December 2016	30 June 2017
			(in thousands of EUR)	
reclassified to loans and advances				(487,727)
Remeasurement defined benefit plan		119,611	86,990	96,821
Discretionary participation features of insurance contracts	6.5	28,788	32,839	48,042
Other reserves		(11,462)	(33,326)	(18,115)
Gains and Losses not recognised in the statement of income		350,089	317,714	373,097
Total Shareholders' Equity		8,658,691	9,011,547	9,287,874
Non-controlling interests		1,026	173	187
Total Equity		8,659,717	9,011,720	9,288,062
Total Liabilities and Equity		176,962,124	176,720,926	171,639,161

Consolidated Statement of Income

	Notes	31 December 2015	31 December 2016	30 June 2017
			(in thousands of EUR)	
Interest income	7.1	4,672,441	3,983,201	1,826,104
Interest expense	7.1	(2,648,759)	(2,039,969)	(841,904)
Dividend income	7.2	61,647	88,233	46,194
Net income from equity method companies	7.3	8,292	5,018	2,230
Net income from financial instruments at fair value through profit or loss	7.4	37,732	16,870	67,563
Net income on investments and liabilities	7.5	14,180	115,710	94,371
Fee and commission income	7.6	601,668	625,109	354,594
Fee and commission expense	7.6	(104,668)	(117,639)	(82,290)
Premiums and technical income from insurance activities	6.5	1,444,631	1,479,376	776,649
Technical expense from insurance activities	6.5	(1,730,512)	(1,734,155)	(864,974)
Other income	7.7	138,992	218,785	68,467
Other expense	7.8	(311,785)	(381,267)	(311,490)
Income		2,183,862	2,259,271	1,135,512
Staff expense	7.9	(610,419)	(580,201)	(259,380)
General and administrative expense	7.10	(432,834)	(447,364)	(235,933)
Network costs		(275,993)	(265,994)	(127,283)

	Notes	31 December 2015	31 December 2016	30 June 2017
			(in thousands of EUR)	
Depreciation and amortisation of fixed assets	7.11	(77,205)	(72,722)	(39,085)
Expenses		(1,396,451)	(1,366,281)	(661,681)
Gross Operating Income		787,411	892,990	473,831
Impairments on financial instruments and provisions for credit commitments	7.12	(92,665)	(115,969)	(24,371)
Impairments on tangible and intangible assets	7.13	(12,798)	2,502	(4,607)
Impairments on goodwill	7.14	0	0	0
Net Income before Tax		681,948	779,524	444,852
Current tax (expense) income	7.15	(61,135)	(56,522)	(57,061)
Deferred tax (expense) income	7.15	(114,738)	(187,750)	(26,828)
Net Income after Tax		506,075	535,251	360,964
Discontinued operations (net of tax)		0	0	0
Net Income		506,075	535,251	360,964
Attributable to non-controlling interests		(1)	23	20
Attributable to equity holders of the parent		506,076	535,229	360,945

COMMON REPORTING STANDARD – EXCHANGE OF INFORMATION

Following recent international developments, the exchange of information is governed by the Common Reporting Standard ("**CRS**"). On 13 December 2017, the total of jurisdictions that have signed the multilateral competent authority agreement ("**MCAA**") amounts to 97. The MCAA 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.

The MCAA entered into force in 2017 in 49 jurisdictions, including Belgium (the so-called early adopters). Income relating to income year 2016 were hence the first to be automatically exchanged by said early adopters. As of 2018, the MCAA will be applied by 53 additional jurisdictions.

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 and replaces the EC Council Directive 2003/48EC on the taxation of savings income (commonly referred to as the "**Savings Directive**") as from 1 January 2016. Austria has been nonetheless allowed to exchange information under DAC2 as from 1 January 2017.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of information based on the CRS. This new agreement will replace the agreement on the taxation of savings that entered into force in 2005. The Belgian government has implemented DAC2 and the Common Reporting Standard, per 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.

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of income year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of income year 2014 (first information exchange in 2016) towards the US and (iii), with respect to any other non-EU States that have signed the MCAA, as of income year 2016 (first information exchange in 2017) for a first list of 18 countries and as of income year 2017 (first information exchange in 2018) for a second list of 44 countries.

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

THE PROPOSED EU FINANCIAL TRANSACTION TAX

Reference is made to the section entitled "*Risk Factors*" (in particular, see paragraph 24 "*The proposed financial transactions tax (FTT)*", under " *"Risks related to the Securities*") which includes information on the proposed EU Financial Transaction Tax (the "**FTT**") which, if adopted, could affect the taxation treatment of the Securities.

TAXATION ON THE SECURITIES

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of, or disposing of, the Securities and is of a general nature and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of Securities. In some cases, different rules can be applicable.

This summary does not describe the tax consequences for a Securityholder of a Write-down or a Write-up. Furthermore, this description is based on current legislation, published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Each prospective Securityholder should consult a professional adviser with respect to the tax consequences of an investment in the Securities, taking into account their own particular circumstances and the influence of each regional, local or national law.

Investors should note that the Belgian federal government reached an agreement in July 2017 on the Belgian tax reform (the so-called "Zomerakkoord"). The political proposals are subject to change. Indeed, it needs to be submitted to the Belgian federal parliament. Once entered into force, the Belgian tax reform may impact the Belgian tax regime as described in this section.

1 Belgian Withholding tax

1.1 General

For Belgian income tax purposes, interest includes (i) periodic interest income, (ii) any amounts paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer), and (iii) in case of a sale of the Securities between interest payment dates to any third party, excluding the Issuer, the pro rata of accrued interest corresponding to the holding period.

Payments of interest on the Securities made by or on behalf of the Issuer are as a rule subject to Belgian withholding tax, currently at a rate of 30 per cent. on the gross amount.

1.2 NBB-SSS

However, payments of interest and principal under the Securities by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Securities 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 settlement system operated by the National Bank of Belgium (the "**NBB**" and the "**NBB-SSS**"). Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli are directly or indirectly Participants for this purpose.

Holding the Securities through the NBB-SSS enables Eligible Investors to receive the gross interest income on their Securities and to transfer the Securities on a gross basis.

Participants to the NBB system must enter the Securities which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax ("*arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier"/"koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing"*) (as amended from time to time) which include, *inter alia*:

(i) Belgian resident companies referred to in article 2, §1, 5°, b) of the Belgian Income Tax Code of 1992 ("*code des impôts sur les revenus 1992"/"wetboek van de inkomenstenbelastingen 1992",* the "**Income Tax Code of 1992**");

(ii) without prejudice to article 262, 1° and 5° of the Income Tax Code of 1992, the institutions, associations or companies referred to in article 2, §3 of the law of 9 July 1975 with respect to the control of insurance companies other than those referred to in (i) and (iii);

(iii) semi-governmental institutions (*parastatalen/institutions parastatales*) for social security or institutions equated therewith referred to in article 105, 2º of the royal decree implementing the Income Tax Code 1992 ("*arrêté royal d'exécution du code des impôts sur les revenus 1992"/"koninklijk besluit tot invoering van het wetboek inkomstenbelastingen 1992"*, the "**Royal Decree implementing the Tax Code 1992**");

(iv) non-resident investors referred to in article 105, 5° of the Royal Decree implementing the Tax Code 1992 whose holding of the Securities is not connected to a professional activity in Belgium;

(v) investment funds referred to in article 115 of the Royal Decree implementing the Tax Code 1992;

(vi) tax payers referred to in article 227, 2° of the Income Tax Code of 1992 subject to non-resident income tax (*belasting van niet inwoners/impôt des non-résidents*) in accordance with article 233 of the Income Tax Code of 1992, and which have used the income generating capital for the exercise of their professional activities in Belgium;

(vii) the Belgian State, in respect of investments which are exempt from withholding tax in accordance with article 265 of the Income Tax Code of 1992;

(viii) investment funds governed by foreign law (such as *beleggingsfondsen/fonds de placement*) which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not publicly issued in Belgium or traded in Belgium; and

(ix) Belgian resident companies, not provided for under (i) above, when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, *inter alia,* Belgian resident investors who are individuals or non-profit making organisations, other than those mentioned under (ii) and (iii) above.

Upon opening of an X Account for the holding of Securities, 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 NBB-SSS as to the eligible status.

An X Account may be opened with a Participant by an intermediary (an "**Intermediary**") in respect of Securities 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 Securities

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 Securities held in Euroclear, Clearstream, Luxembourg, SIX SIS or Monte Titoli as Participants to the NBB-SSS, provided that Euroclear, Clearstream, Luxembourg, SIX SIS or Monte Titoli only hold X Accounts and that they are able to identify the Securityholders for whom they hold Securities in such account. For the identification requirements not to apply, it is furthermore required that the contracts which were concluded by Euroclear, Clearstream, Luxembourg, SIX SIS or Monte Titoli as Participants include the commitment that all their clients, holder of an account, are Eligible Investors.

2 Belgian income tax and capital gains

2.1 Belgian resident individuals

The Securities may only be held by Eligible Investors. Consequently, the Securities may not be held by Belgian resident individuals as they do not qualify as Eligible Investors.

2.2 Belgian resident companies

As stipulated in the draft bill of 11 December 2017 on economic revival and the strengthening of social cohesion, interest on the Securities derived by Belgian corporate investors who are Belgian residents for tax purposes, i.e., who are subject to the Belgian Corporate Income Tax *("Vennootschapsbelasting"/"Impôt des sociétés"*), as well as capital gains realised upon the sale of the Securities will be taxable at the ordinary corporate income tax rate of in principle 29.58 per cent. as of 1 January 2018. Furthermore, small and medium-sized companies are taxable at the reduced corporate income tax rate of 20.4 per cent. for the first EUR 100,000 of their taxable base. As of accounting years ending on 31 December 2020 or later, the ordinary corporate income tax rate will be 25 per cent., and the reduced corporate income tax rate 20 per cent.

The withholding tax retained by or on behalf of the Issuer will, subject to certain conditions, be creditable against any corporate income tax due and any excess amount will in principle be refundable. Capital losses realised upon the sale of the Securities are in principle tax deductible.

2.3 Belgian resident legal entities

Belgian legal entities subject to the Belgian legal entities tax *("rechtspersonenbelasting"/"impôts des personnes morales"*) and which do not qualify as Eligible Investors will not be subject to any further taxation on interest in respect of the Securities over and above the Belgian withholding tax retained. Belgian legal entities which qualify as Eligible Investors (see section 1 entitled "*Belgian Withholding Tax*") and which consequently have received gross interest income are required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities themselves (which withholding tax then generally also constitutes the final taxation in the hands of the relevant investors).

Capital gains realised on the sale of the Securities are in principle tax exempt, unless the capital gains qualify as interest (as defined in section 1 entitled "*Belgian Withholding Tax*"). Capital losses are in principle not tax deductible.

2.4 Organization for Financing Pensions

Interest and capital gains derived by Organizations for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle exempt from Belgian corporate income tax. Capital losses are in principle

not tax deductible. Subject to certain conditions, the Belgian withholding tax, if levied, can be credited against any corporate income tax due and any excess amount is in principle refundable.

2.5 Non-residents

Securityholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Securities through a Belgian permanent establishment, and do not invest in the Securities in the course of their Belgian professional activity will in principle not incur or become liable for any Belgian tax on interest income or capital gains by reason only of the acquisition or disposal of the Securities, provided that they qualify as Eligible Investors and that they hold their Securities in an X Account.

3 Tax on stock exchange transactions

A tax on stock exchange transactions (*"taxe sur les opérations de bourse"/"beurstaks"*) will be levied on the acquisition and disposal of the Securities on the secondary market if such transaction is either entered into or carried out in Belgium through a professional intermediary. No tax is due on the acquisition and disposal of the Securities on the primary market. As stipulated in the draft programme bill of 14 December 2017, the current applicable rate will be 0.12 per cent. as of 1 January 2018, with a maximum amount of EUR 1,300 per transaction and per party and collected by the professional intermediary. The tax is due separately from each party to any such transaction, i.e., the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

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 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 case, the tax on the stock exchange transactions is, according to the Belgian tax Administration, due by the Belgian Investor unless the Belgian Investor can demonstrate that the tax on the stock exchange transactions has already been paid by the professional intermediary established outside 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 on which the relevant transaction was realised. The qualifying order statements must be numbered in series and duplicates must be retained by the financial intermediary. A duplicate can be replaced by a qualifying agent day-today listing, numbered in series. Alternatively, professional intermediaries established outside Belgium can appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities (a "**Stock Exchange Tax Representative**"). Such Stock Exchange Tax Representative will then be liable toward the Belgian Treasury for the tax on stock exchange transactions and to comply with the reporting obligations and the obligations relating to the order statement (*bordereau/borderel*) in that respect. If such a Stock Exchange Tax Representative has paid the tax on stock exchange transactions due, the relevant Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

However, no tax on stock exchange transactions will be payable by exempt persons acting for their own account, including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the Code of miscellaneous taxes and duties (*Code des droits et taxes divers/Wetboek diverse rechten en taksen*).

As stated in the section entitled "Risk Factors" (in particular, see paragraph 24 "*The proposed financial transactions tax (FTT)*", under "*Risks related to the Securities*"), on 14 February 2013 the EU Commission adopted the proposed FTT. The draft Directive currently stipulates that once the FTT enters into force, the

Participating Member States shall not maintain or introduce any taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The draft Directive is still subject to negotiation between the Participating Member States and may, therefore, be further amended at any time.

4 Tax on securities accounts

As stipulated in the draft bill of 11 December 2017 on economic revival and the strengthening of social cohesion, Belgian resident and non-resident individuals will be taxed at a rate of 0.15 per cent. on their share in the average value of the qualifying financial instruments held on one or more securities accounts during a reference period ("**Tax on Securities Accounts**") as of 1 January 2018. However, the tax is not due if the Securityholder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000.

Securities held by non-resident individuals on securities accounts with a financial intermediary located in Belgium fall within the scope of the Tax on Securities Accounts. Note that, pursuant to certain double tax treaties entered into by Belgium, Belgium has no right to tax the capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on the capital within the meaning of these double tax treaties, treaty override may, subject to certain conditions, be claimed.

Prospective Securityholders are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

SUBSCRIPTION AND SALE

Belfius Bank SA/NV (in its capacity as joint lead manager), Citigroup Global Markets Limited, J.P. Morgan Securities plc, Merrill Lynch International, Nomura International plc and UBS Limited (together, the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 30 January 2018, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Securities at 100 per cent. of their principal amount less commissions. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Securities may only be held by, and may only be transferred to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 holding their Securities in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the NBB-SSS operated by the NBB.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to any other exemption from the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Each Joint Lead Manager also represented, warranted and agreed that it has offered and sold the Securities, and will offer and sell the Securities (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**distribution compliance period**"), only in accordance with Rule 903 of Regulation S under the Securities Act, and it will have sent to each dealer to which it sells the Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

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

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 would not, if the Issuer was not an authorised person, apply to the Issuer.

Italy

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly each Joint Lead Manager has represented and agreed that:, no Securities may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Securities be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(i) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Securities or distribution of copies of the Offering Circular or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Belgium

Each Joint Lead Managers has represented and agreed that:

(a) it will not sell, offer or otherwise make the Securities available to "consumers" (*consumenten/ consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*) dated 28 February 2013, as amended from time to time (the "**Belgian Code of Economic Law**") within the territory of Belgium; and

(b) it will at all times comply with the applicable laws and regulations relating to the offering of investment instruments (such as the Securities) to "consumers" (within the meaning of the Belgian Code of Economic Law) within the territory of Belgium, including (without limitation) the provisions of the Belgian Code of Economic Law.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area. For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General

None of the Issuer or any of the Joint Lead Managers that has made any representation that any action will be taken by the Joint Lead Managers or the Issuer that would, or would be intended to, permit a public offer of the Securities or possession or distribution of the Prospectus or any other offering or publicity material relating to the Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Securities or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms.

No Joint Lead Manager has been authorised to make any representation or use any information in connection with the issue, subscription and sale of the Securities other than as contained in this Prospectus or any amendment or supplement to them.

GENERAL INFORMATION

1. Application has been made to Euronext Brussels for Securities to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels. Euronext Brussels is a regulated market for the purposes of the Prospectus Directive.

2. Belfius Bank has obtained all necessary consents, approvals and authorisations in Belgium in connection with the issue and performance of the Securities. The issue of the Securities by Belfius Bank was authorised by a resolution of the Management Board of Belfius Bank passed on 20 December 2017.

3. Belfius Bank is an Authorised European Institution and is included on the Credit Institution Register of the EBA.

4. Save as disclosed in the section headed "*Description of the Issuer*" of this Prospectus, there has been no material adverse change in the prospects of Belfius Bank on a consolidated basis since 31 December 2016. In addition, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of Belfius Bank for the current financial year.

5. Save as disclosed in the section "*Description of the Issuer*" of this Prospectus, there has been no significant change in the financial or trading position of Belfius Bank since 30 June 2017.

6. Save as disclosed under the section "*Description of the Issuer – Litigation*", neither Belfius Bank nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Belfius Bank is aware) during the twelve months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of Belfius Bank or any of its subsidiaries.

7. The Securities have been accepted for settlement through the NBB-SSS operated by the National Bank of Belgium. The Common Code is 176404680 and the International Securities Identification Number (ISIN) is BE0002582600.

8. As at the date of this Prospectus, the address of the National Bank of Belgium is Boulevard de Berlaimont 14, B-1000 Brussels, Belgium.

9. As at the date of this Prospectus, there are no material contracts entered into other than in the ordinary course of Belfius Bank's business, which could result in Belfius Bank being under an obligation or entitlement that is material to Belfius Bank's ability to meet its obligations to Securityholders in respect of the Securities being issued.

10. Copies of (i) the annual report and audited annual accounts of Belfius Bank for the years ended 31 December 2015 and 31 December 2016, including the reports of the statutory auditors in respect thereof, (ii) the unaudited half-yearly report for the period ended 30 June 2017, (iii) this Prospectus, (iv) the Agency Agreement and (v) the Articles of Association of the Issuer will be available for inspection at the specified offices of the Issuer and the Agent during normal business hours.

11. The audit of Belfius Bank's financial statements was conducted by Deloitte Reviseurs d'Entreprises SC s.f.d. SCRL, represented by Bart Dewael and Philip Maeyaert, Gateway building, Luchthaven Nationaal 1 J, 1930 Zaventem (a member of IBR – IRE *Instituut der Bedrijfsrevisoren/ Institut des Réviseurs d'Entreprises*). The auditor rendered unqualified audit reports on the financial statements of Belfius Bank for the years ended 31 December 2015 and 31 December 2016.

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