



## **BELFIUS BANK SA/NV**

(Incorporated with limited liability under the laws of Belgium)

**Issuer and Calculation Agent**

### **LONG TERM WARRANT ISSUANCE PROGRAMME**

Under the Long Term Warrant Issuance Programme (the “**Programme**”) described in this base prospectus (the “**Base Prospectus**”) Belfius Bank SA/NV (also named Belfius Banque SA/Belfius Bank NV, “**Belfius Bank**”) (the “**Issuer**”), may from time to time, issue warrants (together the “**Warrants**” and individually as a “**Warrant**”) which are **linked to Class C shares of the compartment Candriam Equities L EUROPE within Candriam Equities L**, a UCITS duly registered under the laws of Luxembourg under the Commercial and Companies Register number B47449, admitted to trading since July 20, 1999 on the non-regulated market EUR MTF with the Luxembourg Stock Exchange (Code ISIN/Code Trading: LU0027144939; Code Bloomberg: CEK3520 LX) (the “**Underlying Value**”). The Warrants will be call warrants, meaning that they represent the right to buy shares of the Underlying Value.

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

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

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

**The Warrants shall be “Derivatives securities linked to any other underlying than issuer’s or group shares which are not admitted on a regulated market (including any derivatives securities entitling to cash settlement)” in the meaning of the Regulation (EC) No 809/2004 as amended from time to time, and the last time by the Commission delegated regulation (EU) No 759/2013. Derivatives Securities are financial instruments for which the Warrant Holders could lose all or substantial portion of the principal invested.**

**Prospective purchasers of Warrants should ensure that they understand the nature of the relevant Warrants and the extent of their exposure to risks and that they consider the suitability of the relevant Warrants as an investment in the light of their own circumstances and financial condition. Warrants involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Warrants and are not relying on the advice of the Issuer in that regard.**

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

For a description of the risk factors, please revert to pages 11 to 13 and to the full Section 3 of this Base Prospectus.

This Base Prospectus was approved by the Belgian Financial Services and Markets Authority (FSMA) on 31 October 2017 and is valid for one year from that date, provided that the Base Prospectus may be updated by any

supplements in accordance with articles 34 and 35 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market.

The current long-term ratings of Belfius Bank are A2, with outlook 'Positive' (Moody's), A-, with outlook 'Stable' (Standard & Poor's) and A-, with outlook 'Stable' (Fitch). An outlook is not necessarily a precursor of a rating change or future credit watch action. In case of any rating action by any of the rating agencies, the most recent credit ratings of Belfius Bank are always published on Belfius Bank website, at the following address: <https://www.belfius.com/en/iws/home.html#page=%2FEN%2Fratings%2Findex.aspx&pan=&entity=&anySurferState=>

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

The Warrants may be offered to any kind of employer who wants to use the Warrants as employee benefit. The Issuer and its subsidiaries may also subscribe Warrants in their capacity as employer. The final beneficiaries of the Warrants may be consumers in the meaning of the Belgian Code of Economic Law.

*This Base Prospectus was approved by the FSMA on 31 October 2017 in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuer.*

# 1. TABLE OF CONTENTS

---

## Contents

1. TABLE OF CONTENTS .....	3
IMPORTANT REMARKS.....	5
2. SUMMARY .....	6
3. RISK FACTORS .....	15
3.1. Risks related to the business of banks in general, and to the Business of Belfius Bank .....	16
3.2. Risks related to the Warrants generally .....	30
4. CHOICES MADE BY THE ISSUER .....	33
5. RESPONSIBILITY STATEMENT.....	33
6. DOCUMENTS INCORPORATED BY REFERENCE .....	33
7. BELFIUS BANK SA/NV.....	35
7.1. <i>Belfius Bank profile</i> .....	35
7.2. <i>Main commercial subsidiaries</i> .....	35
7.3. <i>Results 2016</i> .....	36
7.4. <i>Results 1H 2017</i> .....	37
7.5. <i>Segment reporting</i> .....	38
7.6. <i>Post-balance sheet events</i> .....	44
7.7. <i>Risk Management</i> .....	45
7.8. <i>Ratings</i> .....	50
7.9. <i>Other information</i> .....	51
7.10. <i>Selected financial information</i> .....	61
8. TERMS AND CONDITIONS OF THE WARRANTS .....	64
8.1. Form, Issue Price and Title.....	66
8.2. Governing law and jurisdiction.....	66
8.3. Currency.....	66
8.4. Definitions .....	66
8.5. Exercise Procedure .....	70
8.6. Further information relating to the Warrants .....	71
8.7. Cancellation .....	73
8.8. Payment .....	73
8.9. Description of market disruption event or settlement disruption that affects the Underlying Value .....	74
8.10. Adjustments to the Underlying Value.....	74
8.11. Rounding .....	75
8.12. Status of Warrants.....	75
8.13. Responsibility of the Calculation Agent .....	75
8.14. Notices .....	76
8.15. Taxation .....	76
9. TERMS AND CONDITIONS OF THE OFFER .....	78
10. ADMISSION TO TRADING AND DEALING ARRANGEMENTS .....	79

11. USE OF PROCEEDS .....	79
12. ADDITIONAL INFORMATION ON THE UNDERLYING VALUE.....	79
12.1. Description of the Underlying Value.....	79
12.2. Description of the Issuer of the Underlying Value (if member of the same group).....	82
13. THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS .....	82
14. DOCUMENTS ON DISPLAY .....	82
ANNEX 1: Template for Final Terms .....	82
FINAL TERMS .....	82
ANNEX 2: Articles of Association .....	86

## **IMPORTANT REMARKS**

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

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

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

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

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

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

The Warrants create options exercisable by the relevant holder. There is no obligation upon any holder to exercise his Warrant nor, in the absence of such exercise, any obligation on the Issuer to pay any amount to any holder of a Warrant, unless provided otherwise. The Warrants will be exercisable in the manner set forth herein and in the relevant Final Terms. The only means through which the Warrant Holder can realize value from the Warrant prior to the Exercise Period is to sell it. Belfius Bank provides some liquidity by giving each Warrant Holder the possibility to sell the Warrants to Belfius Bank.

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

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

## 2. SUMMARY

---

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

### **Summary of the BELFIUS BANK SA/NV LONG TERM WARRANTS ISSUANCE PROGRAMME (the “Programme”)**

#### **Introduction and warnings**

##### **A.1 Warning:**

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

##### **A.2**

- **Consent by the Issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.**  
Not applicable.
- **Indication of the offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use the prospectus is given.**  
Not applicable.
- **Any other clear and objective conditions attached to the consent which are relevant for the use of the prospectus.**  
Not applicable.
- **Information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.**  
Not applicable.

## **Issuer: Belfius Bank SA/NV**

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

Legal name: Belfius Bank SA/NV

Commercial name: Belfius Bank

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

Belfius Bank is a limited liability company of unlimited duration incorporated under Belgian law. Its registered office is at 1000 Brussels, boulevard Pachéco 44, Belgium, telephone +32 2 222 11 11.

### **B.4b Known trends affecting the Issuer and its industry**

#### **1. Uncertain economic conditions**

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

#### **2. Increased and changing regulation**

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

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

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

The recent global economic downturn has resulted in significant changes to regulatory regimes. There have been significant regulatory developments in response to the global crisis, including the stress test exercise co-ordinated by the Committee of European Banking Supervisors, in co-operation with the ECB, liquidity risk assessments and the adoption of new capital regulatory requirements under Basel III. Belfius Bank works closely with its regulators, and continually monitors regulatory developments and plans the contemplated changes, but as the final details of the implementation are not fully

determined yet, it is still highly uncertain what actions will be required from Belfius Bank in order to fully comply with the new rules.

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

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

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

**B.9 Profit forecast or estimate**

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

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

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2016:

Report on the consolidated financial statements – Unqualified opinion

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

Consolidated Balance Sheet				
(in thousands of EUR)		31/12/2015	31/12/2016	30/06/2017
		Audited	Audited	Unaudited
TOTAL ASSETS		176,962,124	176,720,926	171,639,161
TOTAL LIABILITIES		168,302,407	167,709,206	162,351,099
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				
(in thousands of EUR)		31/12/2015	31/12/2016	30/06/2017
		Audited	Audited	Unaudited
INCOME		2,183,862	2,259,271	1,135,512
EXPENSES		-1,396,451	-1,366,281	-661,681
GROSS OPERATING INCOME		787,411	892,990	473,831
NET INCOME BEFORE TAX		681,948	779,524	444,852
NET INCOME AFTER TAX		506,075	535,251	360,964
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		506,076	535,229	360,945
Consolidated cash flow statement				
(in thousands of EUR)	Notes	31/12/2015	31/12/2016	30/06/2017
		Audited	Audited	Unaudited
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1)	4,705,795	2,735,837	2,504,387
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		-69,829	8,826	32,147
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		-317,084	345,659	-130,380
NET CASH PROVIDED		4,318,882	3,090,321	2,406,154
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(1)	3,009,728	7,328,610	10,418,931
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(1)	7,328,610	10,418,931	12,825,085

(1) The amounts of 2014 and 1H 2015 were revised for the adjusted presentation of financial instruments with an original maturity less than or equal to 90 days.

**Material adverse change in the prospects**

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

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

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

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

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



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

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

**B.15 Principal activities**

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

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

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

## Securities

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

Warrants, non-equity securities, ISIN Code nr. specified as such in the relevant Final Terms.

**C.2 Currency : EUR**

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

The Warrants can be freely transferred to any third party, except that (i) they may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons, and (ii) that they may not be transferred by a Warrant Holder to its employer.

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

The Warrants provide the Warrant Holder a contractual right against the Issuer to acquire Class C shares of the compartment Candriam Equities L EUROPE within Candriam Equities L against a predetermined Exercise Price during a predetermined Exercise Period. The Warrants are direct, unconditional and unsecured obligations of the Issuer and rank without any preference among themselves, with all other obligations of the Issuer of the same category, only to the extent permitted by laws relating to creditor's rights. This category can be seen as the "ordinary creditors" and may be qualified as "Preferred Senior creditors", being the creditors related under article 389/1, 1° of the banking law. Such creditors have a higher priority ranking than the so-called non-preferred senior creditors defined under article 389/1, 2° of the banking law.

Where applicable, the Issuer and the Calculation Agent undertake to comply with Book VI of the Belgian Code of Economic Law in respect of Warrants issued under the Programme and accepted by consumers in Belgium.

Especially with regard to an unilateral modification of essential features of a financial product, the Articles VI.82 to VI.84 of the Belgian Code of Economic Law provide that, except in the case of a force majeure event, the Issuer may not make a unilateral modification to a product if it concerns an essential feature of the product, unless the sole purpose is to allow the Issuer and/or the Calculation Agent, as the case may be, upon the occurrence of certain events which are outside of the control of the Issuer and/or the Calculation Agent and which were not reasonably foreseeable at the time of issuance of the relevant Warrants, to make modifications to the Warrants that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium, and provided the following cumulative conditions are met:

(i) it is limited to events of force majeure or other events which significantly modify the economy of the contract and for which the Issuer is not responsible;

(ii) the modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Warrant Holders. The Issuer must take all measures and make every effort to continue the product under similar circumstances; and

(iii) no costs are charged to the Warrant Holders.

The following Conditions grant or may grant the Issuer and/or the Calculation Agent a unilateral right to modify certain features of the Warrants :

(a) Condition 8.7.1 (Change of law)

(b) Condition 8.7.2. (Cancellation option upon change of Investment Strategy):

(c) Condition 8.9 (Market Disruption Event or settlement disruption event):

(d) Condition 8.10.1 (Potential Adjustment Event):

(e) Condition 8.10.2 (De-Listing, Insolvency, Merger Event or Nationalisation).”

Furthermore, the cancellation of the Warrants provided for in these Conditions is, to the extent the Warrant Holder is a consumer in Belgium, possible only upon a decision of the Issuer or the Calculation Agent as a consequence of a force majeure event or with indemnification of the loss suffered by the Warrant Holder because of the cancellation. More generally, such modification or cancellation may not in any way disrupt the contractual equilibrium between the rights and obligations of the parties to the contract, to the detriment of the consumer-Warrant Holder.

Such termination and cancellation rights are only intended to be invoked by the Issuer and/or the Calculation Agent, as the case may be, upon the occurrence of certain events which are outside of the control of the Issuer and/or the Calculation Agent and which were not reasonably foreseeable at the time of issuance of the relevant Warrants and provided that all reasonable efforts were otherwise made that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium. In case of cancellation, the Issuer is required to indemnify the Warrant Holder for the loss suffered by the Warrant Holder because of the cancellation. An amount based on the Fair Market Value will be paid as a minimum to compensate the Warrant Holder.

In case of an early termination, no costs are charged to the Warrant Holder (including settlement costs) and a pro rata refund of the costs already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), such as, if already paid, the Actual Exercise Price, the Exercise Cost and the Exercise Expense will be made by the Issuer.

The Following Conditions grant or may grant the Issuer and/or the Calculation Agent a right to terminate and cancel the Warrants under certain circumstances:

(a) Condition 8.7.1 (Change of law)

(b) Condition 8.7.2. (Cancellation option upon change of Investment Strategy):

(c) Condition 8.10.2 (De-Listing, Insolvency, Merger Event or Nationalisation).”

The Warrants are instruments that allow the Warrant Holder to gain an exposure on the Underlying Value.

Their value may fluctuate based on, inter alia, fluctuations in the Underlying Value. The Warrants grant the Warrant Holders a right of Exercise of the Warrants (see Condition 8.5) and a right to sell the Warrants to the Issuer in the secondary market (see Condition 8.5.1). In case of an Exercise of the Warrants, the Warrant Holders may realise a return by selling the shares in the Underlying Value they receive upon Exercise provided they can sell the shares of the Underlying Value at a price that is greater than the Strike Price paid for by the Warrant Holder.

**C.11 Admission to trading**

No.

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

The Warrant has a leverage effect. This means that any variation in the price of the Underlying Value is in theory amplified. Therefore, the Warrants involve a high degree of risk. The leverage effect, means that the investment of an amount in Warrants compared to a direct investment of the same amount in the Underlying Value may result in significantly higher gains but also in significantly higher losses. The (non-)occurrence of anticipated fluctuations in the price of the Underlying Value may disproportionately affect the value of Warrants. Warrants may expire worthless if the

Underlying Value does not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Value. Warrant Holders should also consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants. The loss born by the Warrant Holder is limited to the original premium paid to acquire the Warrants. Such premium is paid by the employer not by the employee who has accepted the offer of the Warrants. Employees receive Warrants for no consideration.

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

(Leverage =  $\partial P / \partial S \times S / P$ )

where:

S = the price of the Underlying Value

P = the value of the Warrant

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

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

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

**C.16 Maturity date, exercise date, final reference date**

The dates specified as such in the relevant Final Terms.

**C.17 Settlement procedure**

Belfius Bank will deliver the Underlying Value to a securities account chosen by the Warrant Holder or which must be opened by the investor for this purpose. In case the amount of Warrants exercised is inferior to the parity, Belfius Bank will proceed to a settlement in cash by transfer to the cash account indicated by the Warrant Holder.

**C.18 How does the return take place?**

Investing in a Warrant allows the Warrant Holder to exercise its option(s) in case the Underlying Value price fixes above the Strike Price during the Exercise Period. The Warrant Holder benefits in this case of the increase of the Underlying Value. Should the fixing occur below the Strike Price during the Exercise Period, the loss is then limited to the original premium paid to acquire the options. The Warrant Holder may also benefit (suffer) from a positive (negative) evolution of the price of the Warrant during its lifetime.

**C.19 Exercise price/final reference price of the underlying**

[The price specified as such in the relevant Final Terms.]

## Underlyings

**C.20 Type of the underlying and where information on the underlying can be found**

Units of a UCITS registered in Luxembourg.

The prospectus of the Underlying Value can be consulted on the internet site of Candriam (<https://www.candriam.be/en/private/fund-details/LU0027144939/>).

**C.22 Information about the underlying share**

**Description of the underlying share**

Class C Share (the "Share" or "Shares") of the compartment Candriam Equities L EUROPE within Candriam Equities L (the "SICAV"), a UCITS duly registered under the laws of Luxembourg under

the Commercial and Companies Register number B47449, admitted to trading since July 20, 1999 on the non-regulated market EUR MTF with the Luxembourg Stock Exchange. Code ISIN/Code Trading: LU0027144939; Code Bloomberg: CEK3520 LX.

The Shares are offered both to legal entities and natural persons and capitalize their profits. The investment strategy of the SICAV is to invest in shares of companies that are established in the European Economic Area. The portfolio of the SICAV comprises at least 75 per cent. of investments in company shares, whereas the remaining 25 per cent. may be invested in other asset classes such as money market instruments. The managers of the SICAV make discretionary investment choices based on their own analysis and based on future expectations regarding the evolution of the asset classes in which the SICAV can invest. Derivatives transactions are also allowed either for investment purposes or hedging purposes.

Settlement of the Shares is made on demand and on a daily basis in Luxembourg. There is no capital guarantee. There are costs associated with the acquisition of the Shares and the recurrent management of the Shares. The deposit bank of the Shares is RBC Investor Services Bank S.A.

### **Currency**

EUR

### **Description of the rights attached to the securities and procedure for the exercise of those rights**

Dividend rights: none

The Shares are not vested with any dividend right, considering that the shares of Class C within the compartment Candriam Equities L EUROPE capitalizes their profits.

The number of shares of the SICAV that may be issued is unlimited.

Right to a share in liquidation surplus

All shares of the SICAV, including the Shares, are vested with equal rights to a share in liquidation surplus within their compartment, if any, *pro rata* the amount of shares existing within the relevant compartment by date of its liquidation.

Voting rights

All shares of the SICAV are vested with an equal voting right, each share representing one vote. The annual general shareholders' meeting of the SICAV is held each year on April 18th at 13:00 at the registered seat of the SICAV, or at any other date and place as notified beforehand by the SICAV to the holders of shares.

### **Where and when the shares will be or have been admitted to trading**

Admitted to trading since July 20, 1999 on the non-regulated market EUR MTF with the Luxembourg Stock Exchange.

### **Description of any restrictions on the free transferability of the securities.**

None.

**Where the issuer of the underlying is an entity belonging to the same group, the information to provide on this issuer is the information required by the share registration document. Therefore provide such information required for a summary for Annex 1**

Not applicable.

## **Risk factors**

### **D.2 Key information on the key risks that are specific to the Issuer.**

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

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

Market risks 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 the volatility levels for market prices or changes in the correlations between the levels of market prices. Management of market risk within Belfius Bank 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. Due to the nature of its activity, Belfius Bank is prevented from assuming significant exposure to market risk.

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

Liquidity risk at Belfius Bank is affected mainly by:

- the amounts of commercial funding collected from retail and private clients, small, medium-sized and large companies and similar clients and the way these funds are allocated to clients through commercial loans;
- the volatility of the collateral that is placed with counterparties as part of the framework of derivative 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 or from the ECB;

the capacity to obtain interbank funding.

**D.6 Key information on the key risks that are specific to the securities.**

The Warrants create options exercisable by the relevant holder. There is no obligation upon any holder to exercise his Warrant nor, in the absence of such exercise, any obligation on the Issuer to pay any amount to any holder of a Warrant, unless provided otherwise. The Warrants will be exercisable in the manner set forth in the Base Prospectus and in the relevant Final Terms. The only means through which the Warrant Holder can realize value from the Warrant prior to the Exercise Period is to sell it. Belfius Bank provides some liquidity by giving each Warrant Holder the possibility to sell the Warrants to Belfius Bank.

- Investors may lose the value of their entire investment or part of it, as the case may be.

- If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless.

- The value of the Warrants may also not exactly correlate with the value of the Underlying Value (see section C.15 and C.18). In addition, the Terms and Conditions of the Warrants may need to be adjusted upon the occurrence of events relating to the Underlying Value.

There is no assurance that an active trading market for the Warrants may develop and the Issuer may engage in trading activities related to the Underlying Value.

- Warrants may be subject to conversion or write-off associated to a regulatory bail-in under the European Union's Bank Recovery and Resolution Directive (2014/59/EU).

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

- i. the security may be converted into ordinary shares or other instruments of ownership;
- ii. the terms may be varied (e.g. the variation of the Strike Price of the Warrants).

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

- The Warrant has a leverage effect. This means that any variation in the price of the Underlying Value is in theory amplified. Therefore, the Warrants involve a high degree of risk.

**E.2b Reasons for the Offer and use of proceeds when different from making profit and/or hedging certain risks.**

Not applicable.

**E.3 A description of the terms and conditions of the Offer.**

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

be.

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

The Warrants will not be physically delivered. They will be held on a global securities account with Belfius Bank, and only respectively assigned to Warrant Holders via an electronic platform managed by Belfius Bank and accessible by every Warrant Holder. Belfius Bank will not charge any fees for Warrants held in the aforementioned global securities account.

The Issuer has the right to cancel any issue of Warrants under the Programme during their Offering Period until the fifth business day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the Offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Warrants will be notified pursuant to Condition 8.14. of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Warrants issue has been reached or if the market conditions adversely affect the interest of the Issuer, as the case may be.

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

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

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

The financial service will be performed by Belfius Bank.

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

**E.4 A description of any interest that is material to the issue/Offer including conflicting interests.**

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

## Offer

**E.7 Estimated expenses charged to the investor by the Issuer**

Subscribers to Warrants shall pay the Issue Price which includes the Commission, both as specified in the relevant Final Terms. The Issue Price is paid by the employer not by the employee who has accepted the offer of the Warrants. There are no additional costs of subscription.

In respect of the Exercise of a Warrant during the Exercise Period, the Warrant Holder shall pay, besides the Strike Price, the applicable fees and taxes related to a subscription in the Underlying

Value, as may exist at such time.

There are no additional costs related to a sale of the Warrants to the Issuer. The Warrant Holder shall only pay the applicable taxes related to such a sale.

## 3. RISK FACTORS

---

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

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

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

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

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

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

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

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

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

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

#### *3.1.1. Credit Risk*

General credit risks are inherent in a wide range of Belfius Bank's businesses. These include risks arising from changes in the credit quality of its borrowers and counterparties and the inability to recover loans and any amounts due. 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 of loans made available by Belfius Bank, the 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 reasons may cause them to default on their obligations towards Belfius Bank.

Being a universal commercial credit institution, Belfius Bank is financing clients from the public and social sector and corporates through its Public and Corporate Banking business unit as well as households, self-employed persons and small businesses through its Retail and Commercial Banking business unit.

Credit risk measurements rely principally on internal rating systems put in place by Belfius Bank under Basel II. The risk approach of Belfius Bank is based on its decision to apply the IRBA II Advanced method. This method stems from the so-called Internal Ratings-Based Approach and it means that Belfius Bank makes use of its own internal models for defining the risk parameters Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF – the conversion in terms of percentage of an available credit line in an amount draw down) for off-balance-sheet commitments. This choice has been acknowledged by the regulators. Each counterparty is rated by analysts in charge of credit risk or by dedicated scoring systems. This rating corresponds to a valuation of the counterparty's level of default risk, expressed on an internal rating scale, and is a key element in the loan granting process by the credit committee or by automated granting systems. Ratings are reviewed at least annually according to regulatory constraints, and this allows a proactive identification of counterparties requiring regular monitoring by the "watchlist" committee.

In order to control the general credit risk profile and to limit risk concentrations, credit risk limits are defined for each counterparty, fixing the maximum exposure to credit risk deemed acceptable for a given counterparty. Limits may also be imposed per economic sector and per product. The risk management department proactively monitors these limits, in relation to the evolution of the perception of risks run by Belfius Bank. In order to take more recent events into consideration, specific limits may be frozen at any time by the risk management department. Nonetheless, no assurance can be given that the strategy and framework to control the general credit risk profile and to limit risk concentrations will be effective and will not have an adverse effect on Belfius Bank's results of operations, financial conditions or prospects.

#### *3.1.2. 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 the volatility levels for market prices or 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 Belfius Bank 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**

Managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk and foreign exchange risk) is also known as ALM. The structural exposure at the Issuer 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 the Issuer and Belfius Insurance have 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 ALCo. The ALCo manages interest rate risk, foreign exchange risk, and liquidity risk of Belfius Bank's and Belfius Insurance's balance sheets 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, in 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. No Financial Markets activities are undertaken at Belfius Insurance.

The Value-at-Risk (“**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 the bank might be facing in normal and/or historical market conditions over a period of 10 days with a confidence interval of 99%. The following risks are monitored at Belfius Bank using a VaR computation:

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

Since the end of 2011, Belfius Bank has computed a Stressed Value-at-Risk (“**S-VaR**”) on top of its regular VaR, which also enters into the computation of weighted risks for Market Risk. This S-VaR measure consists of calculating a historical VaR based on a 12 consecutive months observation period which generates the largest negative impacts in the bank's current portfolio of financial instruments.

### 3.1.3. 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” (Bank for International Settlements, June 2011).

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.

### 3.1.4. Liquidity Risk

The liquidity risk at Belfius Bank is mainly stemming from:

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

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 and capital 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 Asset and Liability Management (“**ALM**”) department and the Asset and Liability Committee (“**ALCo**”), meaning that total balance sheet management lies within its 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 & Commercial and Public & 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 that 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 Guideline.

### *3.1.5. 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.

### *3.1.6. 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 European Central Bank (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").
- The European Parliament and the Council of the European Union adopted on respectively 15 April 2014 and 6 May 2014 Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (the "Bank Recovery and Resolution Directive" or "BRRD"). The aim of the BRRD is to provide supervisory and resolution authorities, including the resolution

college of the NBB within the meaning of Article 21ter of the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium, or any successor body or authority of the resolution college (including the SRB (as defined below)) (the “**National Resolution Authority**” and, together with the national resolution authorities of other participating Member States, the “**NRAs**” ), with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund entered into force on 19 August 2014. From that moment, a centralised power of resolution has been established and entrusted to the Single Resolution Board (the “**SRB**”). The SRB work in close cooperation with the NRAs.

- 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 European Central Bank concerning policies relating to the prudential supervision of credit institutions. Under the SSM, the European Central Bank (ECB) will assume 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.

- 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 (including in respect of its resolution regime), into force on 7 May 2014.

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 SRMR. 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.

### *3.1.7. 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 section 3.1.9 (*European Resolution Regime*) below.

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

In addition, the “**Lead Regulator**” (means the NBB, ECB or any successor entity primarily responsible for the prudential supervision of the Issuer.) will need to pre-approve any strategic decision of any Belgian financial institution subject to the Belgian Banking Law (including the Issuer, and regardless of it being systemically important or not). For these purposes, strategic decisions include decisions having significance relating to each investment, disinvestment, participation or strategic cooperation agreement of the financial institution, including decisions regarding the acquisition of another institution, the establishment of another institution, the incorporation of a joint venture, the establishment in another country, the conclusion of cooperation agreement, the contribution of or the acquisition of a branch of activities, a merger or a demerger. The Lead Regulator will have the benefit of extensive discretionary power in this area.

It should be noted that (i) certain elements of the Belgian Banking Law require further detailed measures to be taken by other authorities, in particular the National Bank of Belgium, (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 European Central Bank of certain supervisory responsibilities which were previously handled by the National Bank of Belgium and, in general, by the allocation of responsibilities between the European Central Bank and the National Bank of Belgium.

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.

### *3.1.8. 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, to grow organically and to pursue its strategy of returning to standalone strength. Belfius Bank is required by regulators in EU 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.

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. Among other things, 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 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. 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) applies 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 European Central Bank 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 National Bank of Belgium. 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, amongst others, 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 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.

The Phased In Common Equity Tier 1 capital ratio (CET 1 ratio) stood at 15.7% at the end of June 2016, compared to 15.9% at the end of 2015, and the Fully Loaded Common Equity Tier 1 capital ratio (CET 1 ratio) stood at 15.2% at the end of June 2016, compared to 14.9% at the end of 2015. With the application of the 2016 grandfathering rules, the CET 1 ratio pro forma for the end of 2015 would have amounted to 15.6% compared to the CET 1 ratio of 15.9% as reported for the end of 2015.

The CET 1-ratio (Phased In) stood at 16.3% at 30 June 2017. The CET-1 ratio (Fully Loaded) was 16.1% at 30 June 2017. The total capital ratio (Phased In) amounted to 19.1% at the end 30 June 2017. The total capital ratio (Fully Loaded) amounted to 18.5% at the end 30 June 2017.

End June 2017, the Belfius leverage ratio Phased In – based on the current CRR/CRD IV legislation - stood at 5.4%, the leverage ratio Fully Loaded stood at 5.3%.

The tier 1 capital ratio (ratio of the amount of tier 1 capital compared to the risk-weighted assets of the bank) can give an indication of the strength of a bank, given the fact that tier 1 capital is the first layer to absorb losses in times of financial distress.

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 Warrants.

### *3.1.9. 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 and Tier 2 capital instruments and a "bail-in" power in relation to eligible liabilities (as defined in BRRD) and capital instruments. These powers allow the Lead Regulator to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities of an institution and/or to convert certain debt claims into another security, including ordinary shares of Belfius Bank or any other surviving group entity, if any. The "write down and

conversion” and “bail-in” powers are part of a broader set of resolution powers provided to the resolution authorities under the BRRD in relation to distressed credit institutions and investment firms. These resolution powers include the ability for the resolution authorities to force, in certain circumstance of distress, the sale of credit institution’s business or its critical functions, the separation of assets, the replacement or substitution of the credit institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including amending the maturity date, any interest payment date or the amount of interest payable and/or imposing a temporary suspension of payments) and/or discontinue the listing and admission to trading of debt instruments issued by the credit institution.

The Resolution Authority must write down or convert all Tier 1 capital instruments and Tier 2 capital instruments at the institution's or group's point of non-viability (i.e., 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 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).

The Phased In Common Equity Tier 1 capital ratio (CET 1 ratio) stood at 15.7% at the end of June 2016, compared to 15.9% at the end of 2015, and the Fully Loaded Common Equity Tier 1 capital ratio (CET 1 ratio) stood at 15.2% at the end of June 2016, compared to 14.9% at the end of 2015. With the application of the 2016 grandfathering rules, the CET 1 ratio pro forma for the end of 2015 would have amounted to 15.6% compared to the CET 1 ratio of 15.9% as reported for the end of 2015.

The CET 1-ratio (Phased In) stood at 16.3% at 30 June 2017. The CET-1 ratio (Fully Loaded) was 16.1% at 30 June 2017. The total capital ratio (Phased In) amounted to 19.1% at the end 30 June 2017. The total capital ratio (Fully Loaded) amounted to 18.5% at the end 30 June 2017.

End June 2017, the Belfius leverage ratio Phased In – based on the current CRR/CRD IV legislation - stood at 5.4%, the leverage ratio Fully Loaded stood at 5.3%.

The tier 1 capital ratio (ratio of the amount of tier 1 capital compared to the risk-weighted assets of the bank) can give an indication of the strength of a bank, given the fact that tier 1 capital is the first layer to absorb losses in times of financial distress.

As some of the requirements are subject to further implementation, it is not yet possible to assess the full impact of the BRRD or the Banking Law on Belfius Bank and on holders of its securities. Furthermore, the relevant regulator has not yet established the minimum requirement of own funds and eligible liabilities (MREL) for Belfius Bank (expected Q1/2018).

All the mandatory information pursuant to the articles 431 CRR is disclosed in our Annual Report and Semi-Annual Report, available on Belfius Bank’s website:

<https://www.belfius.com/EN/results/index.aspx>

<https://www.belfius.com/EN/reports/index.aspx>

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

The Belgian Banking Law allows the Resolution Authority to take resolution actions (in which respect please see section 3.1.9 (*European Resolution Regime*) above). Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a “bridge institution” (an entity created for that purpose which is wholly or partially in public control), (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, expressed as a percentage of the credit institution's total liabilities and own funds. 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 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 (“MREL”). However, if the approach set out by the Financial Stability Board in respect of the Total Loss-Absorbing Capacity (“TLAC”) for G-SIBs (all institutions included in the list of systemically important banks) 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 conditions 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. The TLAC requirements are a global standard for minimum amounts of loss absorbency capacity to be held by G-SIBs. The TLAC are amounts to be held in addition to the Capital Adequacy Ratio requirements, by G-SIBs.

Any bail-in of eligible liabilities will only occur after, or at the same time as, the write-down or conversion of the Subordinated Debt by the Resolution Authority. Only where the exercise of these write-down and conversion powers is insufficient to meet the requirements of Article 267/6 of the Belgian Banking Law will the Resolution Authority exercise its bail-in powers by (i) writing-down or converting the principal amount of



subordinated debts that do not constitute Tier 1 or Tier 2 capital instruments and (ii) to the extent such write-down or conversion is insufficient, the principal amount of the remaining eligible liabilities (each time taking into account the priority of claims in insolvency proceedings).

Based on recent disclosure in MREL published by SRB, Belfius has calculated that its mechanical target would potentially amount to 24.5% of risk exposure in fully loaded format. Including the Market Confidence Charge (as defined below on page 49), Belfius mechanical target would potentially amount to 27.25%.

The “write-down and conversion power” (see paragraph 3.1.9 (*European resolution regime*) above) has also been transposed in the Belgian Banking Law.

Subject to certain exceptions, as soon as any of these proceedings (included 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 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 Warrant Holders.

### *3.1.11. 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;
- A continued market downturn or further worsening of the economy could cause Belfius Bank to incur mark-to-market losses in some of its portfolios; and
- A continued market downturn would be likely to lead to a decline in the volume of transactions that Belfius Bank executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

All of the above could in turn affect Belfius Bank’s ability to meet its payment obligations under the Warrants.

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

Thanks to the strengthening economic growth throughout Europe and the pick up in international trade, the general economic momentum has been rather solid and kept on building during the first half of 2017. The Belgian economy benefitted from this improved international environment and the performance of our economy gradually improved in the first half of 2017 with growth rates for the first quarter above expectations. Fundamentally the Belgian economy showed marked signs of improvement in the job market where

unemployment decreased significantly in all regions and where jobs in the private sector were created. Confidence, both with consumers as within businesses, stayed at its highest values since a couple of years supporting both residential and corporate investments. The ECB also continued its policy of monetary accommodation, though it lowered the amount of its monthly bond purchases by 20%. The tendency for interest rates to decline seems to have ended and yields increased mildly since the beginning of the year.

The gradual improvement of the economic situation is based on a combination of different factors that are currently expected to prevail for the whole year of 2017:

- Pick up in international trade : The reduction of the Chinese excess production capacity stopped the downward pressure on international goods prices creating room for increases in corporate profits in the US, the euro zone and Belgium. This then stimulated international trade and corporate investment.
- Gradual recovery of the euro zone economy and subdued inflation : The euro zone economy continued on its way towards more growth. This is most strongly seen in the steady and generalised decrease in unemployment, supporting growth in consumption. The stronger employment is however not yet strong enough to induce important increases in wages. This subdued wage growth supports the competitive position of the euro zone, Belgium included. However on the negative side it implies that growth via consumption remains moderate and that inflation remains below the target set by the European Central Bank. Moreover oil prices dropped again exerting a downward pressure on the headline inflation number.
- ECB policy : As announced in December 2016, the European Central Bank lowered the amount of its monthly purchases of bonds in April. It also openly acknowledged the general improvement in the euro zone economy and stated that the danger of deflation is no longer present. These more positive messages resulted in financial markets believing that the ECB will announce an end of the Quantitative Easing program sometime during the second half of 2017. As a result long term interest rates rose and the curve steepened, though the level of the 10 year interest rates stayed below 1% for the core members of the euro zone.
- Waning of political risks : The outcome of the legislative elections in France and the Netherlands was positive for the existence of the euro zone, with euro-sceptic parties losing the elections. This reduced distrust with respect to the euro permitted spreads to come in again. The economy is expected to perform along the same lines in the second half of the year. However risks to the downside are still present: the outcome of the Brexit negotiations is still unclear, though the probability of a soft Brexit has considerably increased since the beginning of the year; the new US administration is likely to pursue a more protectionist and less collaborative economic policy and the Italian bank sector still suffers from a high amount of non performing loans.

On 23 June 2016, in a referendum the UK expressed its wish to leave the European Union. This outcome was unexpected by the financial markets and led to strong declines in the stock markets as well as a depreciation of the euro and especially the sterling against the US dollar. Due to the rush of investors to high quality assets, interest rates also fell. The 10-year German bund even became negative and traded at approximately -13 bps at the end of June. How the exit from the European Union will work out, in which time frame, and which economic sectors will be impacted, is for the time being unknown. This again increases uncertainty and volatility.

The UK is also one of Belgium's most important export markets. According to the National Bank of Belgium, business with the UK represents approximately EUR 3 billion of added value. What effect the Brexit may have on these trade relations is currently unknown.

The credit risk exposure of Belfius counterparties in the United Kingdom amounted to EUR 11.8 billion by the end of June 2017. About half of this credit risk exposure concerns bonds, of which 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% 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.

### *3.1.13. Uncertain economic conditions*

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

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

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

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

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

### *3.1.16. 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”).

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.

In December 2015, 10 of the original 11 Member States issued a statement setting out areas where agreement had been reached as well as areas that were still open. Estonia has indicated that it no longer supports the proposal.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of any such taxation is uncertain. Additional EU Member States may decide to participate.

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

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

Like every credit institution, a non-negligible part of the Issuer’s assets are collateralised (by means of an outright pledge, 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 Warrant Holders 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, need 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. These general liens entered into force on 3 March 2015. Such general liens could have an impact on the recourse that any Warrant Holders 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 Warrant Holders.

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

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

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

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

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

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

Insolvency ranking in Belgium:

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

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

*3.2. Risks related to the Warrants generally*

*3.2.1. Warning: Warrants may not be a suitable investment for all investors*

Warrants involve a high degree of risk and investors must be prepared to sustain a total loss of the purchase price of their Warrants. The occurrence of fluctuations or the non-occurrence of anticipated fluctuations in the price of the Underlying Value will disproportionately affect the value of the Warrants and may lead to the Warrants expiring worthless.

Purchasers of Warrants risk losing their entire investment if the Underlying Value does not perform as anticipated. Further risks may include, among others, interest rate, foreign exchange, time value and political risks. A Warrant is an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it expires. Prospective purchasers of Warrants should be experienced with respect to options and option transactions, should understand the risks of transactions involving the relevant Warrants and should reach an investment decision only after careful consideration, with their financial and tax advisers, of the suitability of such Warrants in light of their particular financial circumstances.

The risk of the loss of some or all of the purchase price of a Warrant upon expiration means that, in order to recover and realize a return upon his or her investment, a purchaser of a Warrant must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the share underlying the Warrants.

Assuming all other factors are held constant, the more a Warrant is 'out-of-the-money' and the shorter its remaining term to expiration, the greater the risk that purchasers of such Warrants will lose all or part of their investment.

In addition, investors should consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase and exercise or sale of the Warrants.

The Warrants do not entitle the Warrant Holders to receive a coupon payment or dividend yield and therefore do not constitute a regular source of income. Possible losses in connection with an investment in the Warrants can therefore not be compensated by other income from the Warrants. Further to this, the investor bears the risk that the financial situation of the Issuer declines - or that insolvency or bankruptcy proceedings are instituted against the Issuer - and that as a result the Issuer cannot fulfill its payment obligations under the Warrants.

The Warrant has a leverage effect. This means that any variation in the price of the Underlying Value is in theory amplified. Therefore, the Warrants involve a high degree of risk. The leverage effect, means that the investment of an amount in Warrants compared to a direct investment of the same amount in the Underlying Value may result in significantly higher gains but also in significantly higher losses. The (non-)occurrence of anticipated fluctuations in the price of the Underlying Value may disproportionately affect the value of Warrants. Warrants may expire worthless if the Underlying Value does not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Value. Warrant Holders should also consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants. The loss born by the Warrant Holder is limited to the original premium paid to acquire the Warrants. Such premium is paid by the employer not by the employee who has accepted the offer of the Warrants. Employees receive Warrants for no consideration.

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

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

where:

S = the price of the Underlying Value

P = the value of the Warrant

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

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

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

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

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

### *3.2.3. Hedging against the market risk*

Due to fluctuating supply and demand for the Warrants, there is no assurance that their value will correlate with movements of the Underlying Value. Prospective purchasers intending to purchase Warrants to hedge against the market risk associated with investing in the Underlying Value should recognize the complexities of utilizing Warrants in this manner. For example, the value of the Warrants may not exactly correlate with the value of the Underlying Value.

#### *3.2.4. Adjustments*

In relation to the terms and conditions of the Warrants, events relating to the Underlying Value may bring about adjustments to such terms and conditions which may vary from those made by the organized derivatives markets.

#### *3.2.5. Liquidity Risk*

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

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

The Warrants can be freely transferred to any third party, except that (i) they may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. persons, and (ii) that they may not be transferred by a Warrant Holder to its employer.

#### *3.2.6. Potential conflicts of interest*

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

#### *3.2.7. Post-issuance information*

The relevant Final Terms may specify that the relevant Issuer will not provide post-issuance information in relation to the Underlying Value. In such an event, investors will not be entitled to obtain such information from the relevant Issuer.

#### *3.2.8. Change of law*

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

In addition, any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Warrants may change at any time (including during any subscription period or the Exercise Period of the Warrants). Any such change may have an adverse effect on a Warrant Holder, including that (i) the Warrants may be cancelled before their Maturity Date due to whatsoever change of law resulting in the Issuer no longer being legally entitled to execute its obligations arising from this Base



Prospectus and the relevant Final Terms, (ii) the liquidity of the Warrants may decrease, and/or (iii) the tax treatment of amounts payable or receivable by or to an affected Warrant Holder may be less than otherwise expected by such Warrant Holder.

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

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

## 4. CHOICES MADE BY THE ISSUER

---

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

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

## 5. RESPONSIBILITY STATEMENT

---

### **(Annex IV.1 and XII.1 of Regulation (EC) 809/2004)**

Belfius Bank SA/NV, with registered office at 1000 Brussels, Boulevard Pachéco 44, Belgium, as Issuer, accepts responsibility for the information given in the Base Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

## 6. DOCUMENTS INCORPORATED BY REFERENCE

---

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

- (a) the audited consolidated accounts of Belfius Bank for the years ended 31 December 2015 and 31 December 2016, including the reports of the statutory auditors in respect thereof, as well as the unaudited half-yearly report for the period ending 30 June 2017 (the “**Half-Yearly Report**”)

2017”)(available on <https://www.belfius.com/EN/results/index.aspx>), which are incorporated by reference in this Base Prospectus; and

- (b) the prospectus of the Underlying Value, including the annual accounts thereof for the year ended 31 December 2016 and the relevant report of the statutory auditors in this respect (available on <https://www.candriam.be/en/private/fund-details/LU0027144939/>), which are incorporated by reference in this Base Prospectus.

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

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

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

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

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

	<b>Belfius Bank SA/NV</b>		
	<b>Annual Report 2015</b>	<b>Annual Report 2016</b>	<b>Half-Yearly Report 2017</b>
	<b>(English version)</b>	<b>(English version)</b>	<b>(unaudited – condensed)</b>
	<b>audited</b>	<b>audited</b>	
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
audit report on the consolidated accounts	198	222	94
notes to the consolidated financial statements	91	105	53
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

# 7. BELFIUS BANK SA/NV

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

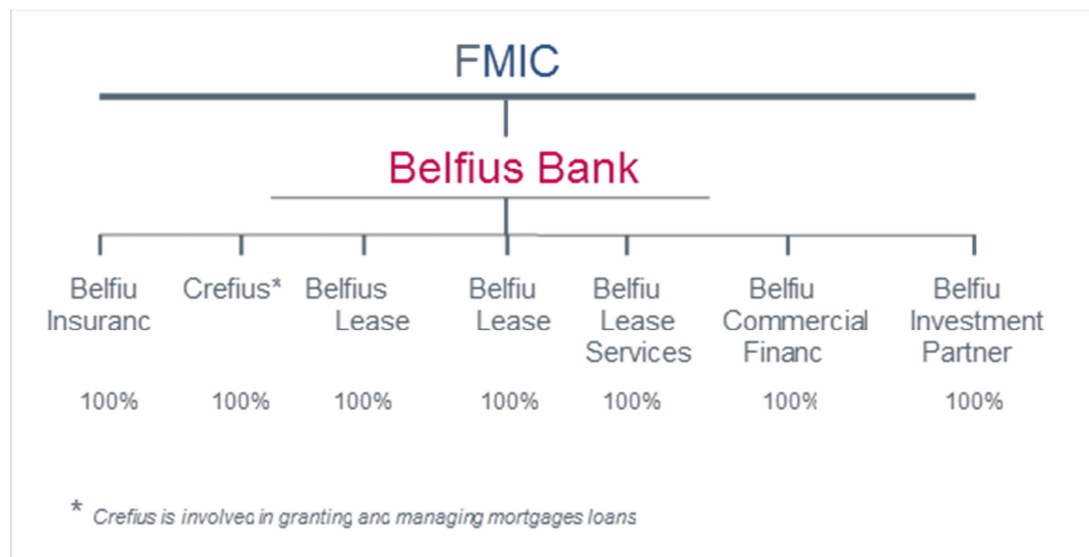
## 7.1. Belfius Bank profile

Belfius Bank SA/NV (the “**Issuer**” or “**Belfius Bank**”) is a public limited company (*naamloze vennootschap/société anonyme*) established on 23 October 1962 for an unlimited duration and incorporated under Belgian law which collects savings from the public. The Issuer is licensed as a credit institution in accordance with the 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 Pachéco 44, Belgium, telephone +32 22 22 11 11.

The share capital of Belfius Bank is three billion, four hundred and fifty-eight million, sixty-six thousand, two hundred and twenty-seven euros and forty-one cents (EUR 3,458,066,227.41) and is represented by 359,412,616 registered shares. The shareholding of Belfius Bank is as follows: 359,407,616 registered shares are held by the public limited company of public interest Federal Holding and Investment Company (FHIC), in its own name, but on behalf of the Belgian State, and 5,000 registered shares are held by the public limited company Certi-Fed. Certi-Fed is a fully-owned subsidiary of FHIC. Belfius Bank shares are not listed. At the end of 2016, total consolidated balance sheet amounted to EUR 177 billion. At the end of 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 is in a position to act as a universal bank “of and for Belgian society”. Belfius 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 aspires to a sound financial profile that results in a solid liquidity and solvency position.

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



## 7.2. Main commercial subsidiaries

### **Belfius Insurance**

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, companies and the public and social sector. At the end of June 2017, total consolidated balance sheet of Belfius Insurance amounted to EUR 22 billion<sup>1</sup>.

#### ***Crefius***

Company servicing and managing mortgage loans. At the end of June 2017, total balance sheet of Crefius amounted to EUR 38 million<sup>2</sup>.

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

Company for operational vehicle leasing and car fleet management, maintenance and claims management services. At the end of June 2017, total balance sheet of Belfius Auto Lease amounted to EUR 290 million<sup>3</sup>.

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

Company for financial leasing and renting of professional capital goods. At the end of June 2017, total balance sheet of Belfius Lease amounted to EUR 755 million<sup>4</sup>.

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

Financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions. At the end of June 2017, total balance sheet of Belfius Lease Services amounted to EUR 1,883 million<sup>5</sup>.

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

Company for financing commercial loans to debtors, debtor in-solvency risk cover and debt recovery from debtors (factoring). At the end of June 2017, total balance sheet of Belfius Commercial Finance amounted to EUR 819 million<sup>6</sup>.

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

Company for administration and management of funds. At the end of June 2017, total balance sheet of Belfius Investment Partners amounted to EUR 45 million<sup>7</sup>.

### ***7.3. 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%. 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% to EUR 666 million thanks to the rare combination of a rise in revenues (EUR 2,377 million, up 2.4% compared to 2015) and continuous lowering of costs (EUR 1,355 million, down by 2.1% compared to 2015). The cost-income ratio of the commercial activities improved significantly by 3% to 57% 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 (see below) 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

---

<sup>1</sup> For more details, see the annual report 2016 of Belfius Insurance.

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

<sup>3</sup> Total IFRS balance sheet before consolidation adjustments

<sup>4</sup> Total IFRS balance sheet before consolidation adjustments

<sup>5</sup> Total IFRS balance sheet before consolidation adjustments

<sup>6</sup> Total IFRS balance sheet before consolidation adjustments

<sup>7</sup> Total IFRS balance sheet before consolidation 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 CET 1-ratio (Phased In) was 16.6% at 31 December 2016 compared to 15.9% at 31 December 2015. The CET-1 ratio (Fully Loaded) was 16.1% at 31 December 2016 compared to 14.9% at 31 December 2015.

The total capital ratio (Phased In) amounted to 19.4% at the end of 2016 against 17.7% end 2015. The total capital ratio (Fully Loaded) amounted to 18.4% at the end of 2016 against 16.2% end 2015.

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

End 2016, the Belfius leverage ratio Phased In – based on the current CRR/CRD IV legislation - stood at 5.4%, the leverage ratio Fully Loaded stood at 5.3%.

As a result of the annual “Supervisory Review and Evaluation Process” (“SREP”) conducted by the ECB, Belfius must maintain as from December 2015 a minimum CET 1 ratio of 11.25%, which is composed of a minimum SREP CET 1 ratio of 10.75% (including capital conservation buffer) and a buffer for domestic systemically important institutions of 0.50% (which will grow to 1.50% in 2018).

Following the SREP performed at the end of 2016, Belfius has been informed by the ECB of its new minimum capital requirements. For 2017 the ECB imposes a 9% Phased In minimum CET 1 requirement, which is composed of :

- a Pillar 1 minimum of 4.5%,
- a Pillar 2 Requirement (P2R) of 2.25%,
- a capital conservation buffer (CCB) of 1.25% and
- a buffer for (other) domestic systemically important institutions (O-SII buffer) of 1%.

The ECB has also notified Belfius of a Pillar 2 Guidance (P2G) of 1% CET 1 for 2017.

#### *7.4. Results 1H 2017*

Despite the persisting weakness of interest rates, the first half-year 2017 was marked by favourable conditions on the financial markets, and this had a positive impact on results.

Income increased by 8% compared with the same period last year and amounted to EUR 1.136 billion.

By virtue of efficient and sustainable balance sheet and liquidity policy, the bank succeeded in preserving its interest margin and in raising net interest income by 8% to EUR 744 million. At the same time, net fee and commission income rose by 5% to EUR 264 million.

At the insurer, 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%, to EUR 662 million. The increase of income coupled with the reduction of costs, the “scissor effect”, enabled the Cost-Income ratio to be improved by 6% compared with the same period last year, to 58.3%.

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 net income before tax achieved by Belfius was EUR 445 million (+27%). After deduction of tax, the consolidated net profit was EUR 361 million (+45%). Belfius Bank and Belfius Insurance contributed to these results in amounts of EUR 235 million and EUR 126 million respectively.

The CET 1-ratio (Phased In) stood at 16.3% at 30 June 2017. The CET-1 ratio (Fully Loaded) was 16.1% at 30 June 2017. The total capital ratio (Phased In) amounted to 19.1% at the end 30 June 2017. The total capital ratio (Fully Loaded) amounted to 18.5% at the end 30 June 2017.

End June 2017, the Belfius leverage ratio Phased In – based on the current CRR/CRD IV legislation - stood at 5.4%, the leverage ratio Fully Loaded stood at 5.3%.

### *7.5. Segment reporting 1H 2017*

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.

#### *7.5.1. 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, a contact center and a large number of automatic self banking machines, which makes the Bank a 24-hour-a-day operation. 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”<sup>8</sup>

#### **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:

- To go from 95% 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 our aspired market share of minimum 15%.

---

<sup>8</sup> Affinity partners are external parties with whom Corona collaborates and that offer Corona insurance products.

- To further implement our continued focus on processes with true added value for our customers, and as such target a further improvement in cost-income ratio to  $\leq 60\%$ .

### ***RC commercial performance in 2016***

The commercial activity was particular dynamic in 2016: total customer assets grew by 2.8% in 2016 to EUR 102.5 billion. After a strong increase in 2015, the organic growth further increased in 2016 by 33% 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%) 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%) and EUR 40.0 billion (+7.2%) respectively. Less capital found its way to long-term capital investments (a drop of 46.4% for savings certificates and a light increase of 2.2% for bonds issued by Belfius).

Off-balance sheet investments went up by 5.8% 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% to EUR 10.2 billion.

Life insurance reserves of investment products amounted to EUR 10.9 billion, down by 6.7% 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%) and business loans (+5.3%). 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 amounting to EUR 0.7 billion increases with 14% and reaches the highest level ever. The production of long-term loans for the Business-segment increases to EUR 3.0 billion (+23%).

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. a 11.6% drop, in line with market tendencies.

Non-life insurance premiums amounted to EUR 504 million, up 5% 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% drop. There is a strong decrease in Life Branch 23 premiums (-56.6%) and a limited decrease in Life Branch 21 premiums (-2.7%) 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% 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%, whereas guaranteed interest products reserves (Branch 21 and 26) dropped by 8%.

### ***RC commercial performance in 1H 2017***

The commercial activity remained solid. Total savings and investments grew by 2.6% in the first half of 2017 to EUR 105.2 billion at the end of June 2017. After a strong increase in 2016, the organic growth remained stable in 1H 2017 at EUR 2.1 billion. This is an undisputed proof of the ever increasing confidence Belfius is inspiring

to its customers. 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% to reach EUR 11 billion.

On-balance sheet deposits totalled EUR 63.5 billion at the end of June 2017, slightly up (+2.4%) 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%) and EUR 41.1 billion (+2.7%) respectively. Less capital found its way to long-term fixed rate investments (a drop of 13.2% for savings certificates and a decrease of 5.6% for bonds issued by Belfius).

Off-balance sheet investments went up by 6.0% compared to the end of 2016, to EUR 31.4 billion, and this thanks to a more pronounced customers' preference for products with potentially higher yields (mutual funds, mandates). Strong net production in asset management and Branch 23 and Branch 44 insurances, 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% 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 Branch 23 and Branch 44 products.

Total loans to customers rose strongly to EUR 43.4 billion at the end of June 2017. The increase occurred mainly in mortgage loans (+3.1 %) and business loans (+3.5%). Mortgage loans, which account for two thirds of all loans, amounted to EUR 29.7 billion at the end of 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 1H 2017 amounted to EUR 3.3 billion. In the first half-year of 2017, the new production of mortgage loans increased by 15.3% to EUR 2.9 billion. During the same period, EUR 1.6 billion in new long-term business loans were granted, up 14.1% compared to the first half of last year.

The total insurance premiums from customers in the Retail and Commercial segment amounted to EUR 597 million in 1H 2017, compared with EUR 562 million in 1H 2016, an increase of 6.2%.

Life insurance premiums amounted to EUR 319 million, compared with EUR 302 million in 1H 2016, a 5.6% rise despite the historically low interest environment.

Non-life insurance premiums amounted to EUR 278 million, up 6.9% compared to 1H 2016. This high growth was mainly possible thanks to the further development of the bank distribution channel, where we noticed a strong increase of 12.6% in non-life premiums written. Indeed, thanks to the "one-stop-shopping" concept of Belfius, the mortgage loan cross-sell ratio for fire insurance increased from 82% at the end of June 2016 to 84% at the end of June 2017. The mortgage loan cross-sell ratio for credit balance insurance went up from 142% at the end of June 2016 to 145% at the end of June 2017.

Total life insurance reserves, in the Retail and Commercial segment, dropped since end 2016 by 4.5% to EUR 12.8 billion at the end of 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%, whereas Life Branch 21 and 26 reserves fell by 7.5%.

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%), 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-year 41% of the new pension saving contracts, 27% of the new credit cards and 29% of the new savings accounts were subscribed via direct channels.

RC net income after tax amounted to EUR 234 million in 1H 2017.

### *7.5.2. 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 center 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 all 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.

Moreover, offering all the products and services Belgian companies need, Belfius can fully assume its role of support of the Belgian economy.

As such, Public and Corporate confirms following strategic axes:

- Remain the undisputed leader in the Public & Social segment;
- 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 going to bring together the driving forces through its Smart Belgium programme, and establish an ongoing cooperation between the 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 going 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% compared with the end of 2015. On-balance sheet deposits rose by EUR 1.3 billion (+6.3%), to EUR 22.9 billion. The off-balance sheet customer investments registered a strong growth of 9.5% to reach EUR 8.2 billion. Life insurance reserves of investment products amounted to EUR 0.6 billion in 2016.

Total outstanding loans went down slightly (-0.2%) 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% increase (compared to December 2015) of outstanding loans to EUR 9.5 billion as of end December 2016. Off-balance sheet commitments remained stable 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% compared to 2015. Belfius also plays an active role in Debt Capital Markets business. During 2016 the 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% 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%, while it grew by 1% in 2015. With its level of participation rising to 58%, Belfius also confirmed its position as leader for bond issues and treasury certificates for corporate clients. In 2016, the 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 by 9.7% to EUR 133 million. This demonstrates the success of the strategy developed for property & 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% thanks to the strong position and expertise enjoyed by Belfius in its 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 1H 2017***

At the end of June 2017, total savings and investments stood at EUR 30.8 billion, a decrease of 2.8% compared with the end of 2016. On-balance sheet deposits declined by EUR 0.8 billion (-3.6%), to EUR 22.1 billion. The off-balance sheet investments registered a small decrease of 0.9% to reach EUR 8.1 billion. Life insurance reserves for investment products amounted to EUR 0.6 billion in at the end of June 2017.

Total outstanding loans increased by 2.3% 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 results in an increase of 8.4% (compared to December 2016) of outstanding loans to EUR 10.3 billion as of end June 2017. Off-balance sheet commitments decreased 4.5% 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% compared to the same period of last year. Belfius continues to play an active role in Debt Capital Markets business. During 1H 2017 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% 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% compared to the same period of last year. With a participation rate of 56%, Belfius also confirmed its strong position for bond issues and treasury certificates for corporate clients. In the first half of 2017, the 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 by 2.6% 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 1H 2017.

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

Since the separation from Dexia Group end 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 end 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 integrates 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 & Arco) and the Group Center of Belfius Insurance.

These portfolios and activities are further described below:

#### **7.5.3.1. Bond Portfolio**

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

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

At the end of June 2017, the ALM Liquidity bond portfolio stood at EUR 8.1 billion, down 1% compared to December 2016, mainly due to the natural amortization of the portfolio. End of June 2017, the portfolio was composed of sovereign and public sector (70%), corporate (3%), covered bonds (21%) and asset-backed securities (6%).

At the end of June 2017, the ALM Liquidity bond portfolio has an average life of 9.4 years, and an average rating of A- (100% of the portfolio being investment grade (IG)).

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

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

At the end of June 2017, the ALM Yield bond portfolio stood at EUR 4.4 billion, down 9% compared to December 2016, mainly due to some sales, the natural amortization of the portfolio as well as foreign exchange impacts. End of June 2017, the portfolio was composed of sovereign and public sector (10%), corporate (66%), financial institutions (9%) and asset-backed securities (15%).

At the end of June 2017, the ALM Yield bond portfolio has an average life of 19.7 years, and an average rating of A- (93% of the portfolio being investment grade (IG)).

#### **7.5.3.2. Derivatives portfolio**

##### ***Dexia derivatives***

While it was still part of the Dexia Group, former Dexia Bank (now Belfius Bank) was Dexia Group's "competence center" for derivatives (mainly interest rate swaps): this meant that all Dexia entities were able to cover their market risks with derivatives with Dexia Bank, mainly under standard contractual terms related to cash collateral. 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 at the end of June 2017, a further decrease of EUR 7.7 billion compared to the end of 2016.

#### ***Credit derivatives***

At the end of 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%), ABS (17%) and covered bonds (3%). The good credit quality of the underlying reference bond portfolio, additional protection against credit risk incorporated in the bond itself and the protections purchased by Belfius mainly from various monoline insurers (US reinsurance companies, essentially Assured Guaranty) result in a portfolio that is 100% investment grade (IG) in terms of credit risk profile.

At the end of June 2017, the average rating of the portfolio remains at A- and the average residual life of the portfolio stood at 10.2 years.

#### **7.5.3.3. 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 carry 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 1H 2017.

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

### ***Interim dividend***

The Board of Directors has decided to pay out an interim dividend in September of EUR 75 million on the current year profit of 2017.

### ***Green light given for IPO of Belfius***

During April of this year, 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 this plan to partially privatise Belfius. The privatisation will take place through a minority listing (maximum 49%) on the Belgian stock exchange.

The listing will provide Belfius with access to the capital market in Belgium, and provide additional flexibility to manage our strategic goals. The listing is seen as a major step for Belfius, five years into our journey with our customers. This is a very exciting new chapter for Belfius, and will provide us with the opportunity to solidify our position in the market and ensure that we are able to provide even better client-centric solutions.

### ***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% to 29% in 2018 and 25% 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 (Tier 3)***

On 20 July 2017, a new Belgian law was voted modifying the hierarchy of claims in case of resolution and allowing the creation of a new class of non-preferred senior debt instruments ranking between subordinated debt and other senior unsecured creditors. Belfius plans to build up its layer of MREL eligible instruments by issuing these new non preferred senior notes in the upcoming years.

## ***7.7. Risk Management***

### ***Fundamentals of credit risk in 2016***

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

Belgium experienced throughout 2016 a modest but steady economic growth. Against this background, lending to the Retail and Commercial business line – one of the core segments at the Bank – remained at a high level, and this based on a stable lending policy in general, albeit adjusted for some elements (see further).

Demand for consumer credit remained stable in 2016. The criteria used for granting consumer loans remained generally unchanged from the preceding years and in line with the “Responsible Lending” charter that is part of the Belgian Financial Sector Federation (Febelfin). Recently, customers have been offered the possibility to introduce their loan applications via mobile platforms, by using the Belfius App. Nevertheless, the rules for evaluating the loan request remained basically the same as for loans requested through traditional channels.

The production of mortgage loans remained very sustained throughout 2016, and was even higher than in 2015. The expected deceleration of the market – as a consequence of the winding down of the “housing bonus” in Flanders and Brussels – was more than compensated by the impact of low interest rates. These low interest rates also caused early repayments to remain at a high level. The vast majority of prepaid existing mortgage loans were refinanced internally. Overall, mortgage production (EUR 8.3 billion, of which EUR 3.3 billion repayments) was realized at constant credit quality.

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). 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. Accordingly, the National Bank advanced higher risk weights for higher “loan-to-value” mortgage loans.

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. The Bank’s project to have lending decisions for business loans taken by local teams working close to the customer was further intensified in 2016. This strategy contributes clearly to a better knowledge of the customer and his or her situation, while numerous tests and realised statistics indicate that the risk remains well under control. The continuous fine-tuning of the decision-making logic and the enhanced and quickly reactive monitoring on deteriorating risk profiles is clearly bearing fruit.

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 2016, according to Graydon, 10,066 companies were forced to cease business, which was 5.1% lower than the number in 2015, and implies a return to the level of 2010. 20,708 jobs were as such put at risk. This is the lowest number since 2008, the beginning of the economic crisis, and a decrease of 10% compared to 2015. Bankruptcies declined in all major sectors, except for the hotel and catering industry which showed an increase of 4.3%. If the terrorist attacks of March 2016 are an explanatory factor for Brussels, in the rest of the country it is rather the introduction of the “white” cash

register (i.e. a mandatory system to track cash in the hotel and catering industry sectors). The impact of the above mentioned terrorist attacks on Belfius' portfolio was negligible. Consequently, 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 2016, Belfius kept providing the public and social sector, as well as mid & large companies, with an extensive and integrated range of 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 become also the reference partner for corporates that service this public and social sector (Business-to-Government) was further implemented.

The Public Sector loans portfolio maintained its very low risk profile. The economic climate of low inflation, moderate growth and historical low interest levels resulted in a limited pressure on the expenditures of Belgian municipalities. Local tax increases with an eye to budget balance were for that reason rather limited. The indebtedness of municipalities remains stable and their financial costs have fallen as a result of the historical low interest rates. The increase of staffing and operating expenditures is being kept under control, among other things also thanks to the low inflation. Besides 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, the challenges of the ageing population and finally the increasing costs of social aid and security. On this last point it is worth mentioning that 2016 was a key year for the long-expected reform of civil protection. Around 250 local fire brigades have been integrated in 34 new emergency response zones, which all became operational in the course of 2016. These zones have the ability to bill some of their services. Nevertheless, the lion's share of their receipts consists of allowances, of which 20% are currently paid out by the federal level and 80% by the municipalities. This means that there is still a long way to go in order to reach the balanced financing assumed in the reform of civil protection.

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. As a consequence, some hospitals display a structural shortfall in repayment capacity. According to our well-known studies, the Belgian hospital sector seems somewhat underfunded and an overcapacity regarding beds and infrastructure prevails. The Minister of Public Health works on a plan to address these challenges.

Belfius' corporate business is focused on Belgian companies with a turnover in excess of EUR 10 million. With 6,000 customers, we are actually positioned as a challenger in this segment, but a growth strategy has successfully been launched since 2015. 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 2016, which also meant that the cost of risk remained at an acceptable level and within the limits set. Real GDP growth in Belgium slightly decelerated in 2016 to 1.2%, supported by low interest rates, low energy prices 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. As a result, the general recovery of profitability of Belgian corporates - already started in 2014 - continued in 2016. However, the planned UK exit from the European Union could weigh on Belgium's economic expansion; 8.8% of Belgian exports are directed to the UK, representing 7.7% of GDP, the largest share (as a projection of national output) amongst EU countries. A follow-up of global Brexit risks and impacts at portfolio level was put in place, but did not reveal critical problems.

Belfius monitors sector risks in a proactive way and defined specific measures with regard to a limited number of more vulnerable sectors. In the shipping industry, Belfius Bank continued to focus exclusively, as it has done in previous years, on shipping companies and other shipping-related businesses that have a commercial relationship with the Bank and a clear link with the Belgian economy. Connections with companies that do not meet these criteria were further reduced. Declining global trade, weaker demand for commodities and excess shipping capacity caused drops in prices and profits throughout 2016. In August, the US based International Shipholding as well as the Korean based Hanjin Shipping, the world's 7th largest shipping company filed for bankruptcy. Despite some positive price effects due to major players no further providing supply, financial distress in the shipping industry is not expected to improve soon. However, Belfius' shipping portfolio is adequately covered by specific impairments as well as collective impairments. What's more, ongoing business consolidation and alliances could prompt a more disciplined capacity growth and so improve freight rates over the medium-term. Real estate financing, related to both residential and commercial real estate, is an important business activity within Belfius. Also on industry level, the Bank's lending activity in the real estate sector continues to increase considerably. The evolution of real estate financing over the last years is to be evaluated in the context of the following factors: the sustaining low interest rate environment, the fact that Belgian banks have a large deposit base and are confronted with a search for yield, the gross debt ratio of Belgian households that has increased and has recently slightly exceeded the average Euro area ratio. This combination of elements induces a concern at NBB level about an over evaluation of the Belgian (residential) property and about the threat of strong volume growth with potentially lower credit standards, lower margins and low provisioning levels. Belfius is aware of these potential pitfalls and has traditionally applied strict origination and acceptance criteria (LTV, maturity, collateral valuation) on new transactions and a solid monitoring of projects, in both residential and commercial real estate financing. Belfius real estate credit exposure is considered as being correctly diversified in terms of underlying asset types, individual name concentration and geographical spread.

Finally it is worth mentioning that Belfius intensified its portfolio management in the course of 2016, 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 and risk teams at Belfius Bank and within the risk management guidelines regarding credit limits, etc. that apply to the whole of the Belfius group. As such, this means that credit limits are defined on a consolidated basis and that transfers of limits between the Bank and insurance arm of the business are permitted, provided that both parties agree. The CROs of Belfius Bank and Belfius Insurance coordinate the requests together.

### ***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% 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 National Bank of Belgium.

At bank level the credit risk exposure increased with 4% to EUR 161.3 billion. At the level of Belfius Insurance, the credit risk exposure went down by 5% to EUR 16.1 billion at the end of June 2017.

#### *Breakdown of credit risk by counterparty*

	31/12/2016	30/06/2017
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
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
<b>Total</b>	<b>172.4</b>	<b>177.4</b>

The credit risk exposure on public sector entities and institutions that receive guarantees of these public sector entities (28% of the total) and on individuals, self-employed and SMEs (25% of the total) constitute the two main categories.

The relative proportion of the segment central governments increased from 12% end 2016 to 14% 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% from EUR 13.4 billion at the end of 2016 to EUR 12.7 billion at the end of June 2017. More than half (57%) of the government bonds portfolio is invested in Belgian government bonds. While at bank level the Belgian government bonds represent 36% of the total government bond portfolio, the relative proportion at Belfius Insurance stood at 76%.

End of June 2017, the credit risk exposure on corporates and financial institutions was respectively 15% and 14%. The credit risk on monoline insurers (2% 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% or EUR 153.4 billion at bank level and 98% or EUR 15.9 billion for Belfius Insurance. 68% of the total credit risk exposure is on counterparties categorised in Belgium country exposures, 7% in the United Kingdom, 6% in France, 3% in Italy and 2% 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% 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.

At the end of June 2017, 84% of the total credit risk exposure had an internal credit rating investment grade (IG).

#### ***Asset quality***

At the end of June 2017, the amount of impaired loans and advances to customers was EUR 2,059 million, down 11% 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 1H 2017, the specific impairments on loans and advances to customers decreased to EUR 1,223 million.

The asset quality ratio improved from 2.54% at the end of 2016 to 2.23% at the end of June 2017 and the coverage ratio further strengthened from 54.4% to 59.4%.

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 its diversified liquidity profile by:

- stabilising its funding surplus within the commercial balance sheet;
- continuing to obtain diversified long-term funding from institutional investors;



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

In March 2017, Belfius Bank increased its participation to the ECB TLTRO II funding programme with EUR 1 billion, amounting to EUR 4.0 billion end of June 2017 with a purpose to finance investment needs of SMEs, social sector and retail clients (mortgage loans excluded).

The Liquidity Coverage Ratio (LCR), introduced within the framework of the Basel III reforms, has become a pillar I requirement for European banks on 1 October 2015 (at a level of 60%). Belfius Bank closed June 2017 with a LCR of 128%. The LCR of the Bank has remained above 100% during the first half of 2017. In Belgium the law requiring banks to respect a LCR of 100% has been cancelled in 2016 and the minimum LCR requirement is 80% for 2017 as introduced in the LCR delegated act.

The Net Stable Funding Ratio (NSFR), based on our current interpretation of current Basel III rules, stood at 115% at end of June 2017.

#### ***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 2017. At this stage, no formal MREL target has been communicated to Belfius. Based on the recent disclosures on MREL published by SRB, Belfius' mechanical target<sup>9</sup> would potentially amount to 24.5 % of risk exposures (in Fully Loaded format).

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 1H 2017 report.

As of today the SRB has not yet fully clarified which unsecured long term funding will be MREL-eligible. If (part of) our 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***

At the end of 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<sup>10</sup>), 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 the Bank's institutional funding outstanding end of June 2017 and having a remaining maturity of less than one year.

Note that during the first half of 2017, Belfius called 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 the bank increased from EUR 108 billion to EUR 112 billion at the end of June 2017. RC and PC funding (commercial funding) represent an important part of total funding of Belfius Bank with EUR 85 billion of which EUR 64 billion is coming from RC-clients. The commercial funding increased with EUR 1 billion since December 2016 but reduced its relative importance (to 77%) in total funding following a more important increase of interbank and repo funding.

<sup>9</sup> (1) 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%; or

→ 8% of total liabilities and own funds (taking into account derivative netting where applicable).

<sup>10</sup> (2) CCP = Central Counterparties.

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 TLTRO funding from ECB as at 30 June 2017.

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

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.

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% at the end of June 2017.

### ***Encumbered assets***

According to our current interpretation of the EBA guideline on the matter, the encumbered assets at Belfius Bank level amount to EUR 36.4 billion end June 2017 and represent 23.1% 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 encumbrance ratio of 0.6% compared to end 2016.

Since the set-up of the first covered bond programme in 2012, the bank has issued covered bonds for a total amount of EUR 8.4 billion. End 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, the 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 Penates 5 and Penates 6 issues amount to EUR 0.5 billion.

The bank is also collecting funding through repo markets and other collateralised deposits. End 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 with EUR 1.0 billion to 4.0 billion during the first half of the year.

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 end 2016), under the form of cash or securities. A significant part of collateral pledged is financed through collateral received from other counterparties with whom the bank concluded derivatives in the opposite direction.

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

## ***7.8. Ratings***

At 30 October 2017, Belfius Bank had the following ratings:

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

### *7.9. 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 is no arrangement known to Belfius Bank, the operation of which may at a subsequent date result in a change of control of Belfius Bank.

#### *7.9.1. Litigation*

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

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

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

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

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

On 9 October 2012, the Housing Fund of the Brussels Capital Region (Woningfonds van het Brussels Hoofdstedelijk Gewest/Fonds du Logement de la 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 to 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 judgement on 3 June 2014.

There was no significant evolution in this claim during 2016 and the first half of 2017. The date of the hearings

is not yet known

No provision has been made for this claim.

#### **7.9.1.2. BBTK and ACLVB**

On 8 May 2014, two trade unions within Belfius Bank, BBTK and ACLVB, summoned Belfius Bank before the Brussels Labour Tribunal. They demand the annulment of the collective bargaining agreements (CBA) 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. In addition, they are of the opinion that an employer can only sign a collective bargaining agreement with some of the existing trade unions within the firm, if the said employer has not signed previous collective bargaining agreements with other trade unions.

The case was pleaded on the hearing of 6 February 2017. At this hearing, the President of the Labour Court requested an opinion from the Labour Prosecutor, which was issued on 17 March 2017. This opinion is not binding for the Labour Court. The Prosecutor considered that Belfius Bank did not breach the law on collective bargaining agreements, but stated that the new “Plan Belfius 2016” CBA should be declared as “inexistent” based on a legal technical interpretation of certain form requirements from the CBA Act.

On 8 June 2017, the Labour Court decided in an intermediary judgement that: (i) CBA may validly be signed by only 1 trade union, even though they modify older CBA concluded with other (more) trade unions; (ii) Belfius did not violate the unions’ rights to collective bargaining; and (iii) the CBA “Belfius 2016” did however not respect the formalities imposed by the CBA Act and for that reason, they are declared relatively null by the Labour Court.

The Court reopened the case in order to enable parties to debate about the consequences of the relative nullity of the CBA. The dates of the different procedural steps are as follows:

- 17/7/2017: written submissions filed by ACLVB and BBTK
- 18/9/2017: written submissions filed by Belfius Bank
- 30/10/2017: oral pleadings

In the meantime ACLVB and BBTK have filed their written submission.

On 4 July 2017, Belfius has registered a new set of these CBAs with the competent Federal Authority (FOD WASO/SPF ETCS) which contain the abovementioned formalities as decided by the Labour Court. As a consequence, Belfius is of the opinion that the relative nullity of the initial CBA is covered and that the claims filed by the trade unions became without subject.

No provision has been recorded for this procedure as Belfius Bank remains confident that it has enough valid arguments to obtain a final judgement in its favour and prove that the CBA Act was respected.

#### **7.9.1.3. Arco – Cooperative shareholders**

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

- 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 demand 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

others 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.

There was no other significant evolution in this claim during the first 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' defense 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 on 18 December 2017.

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.

#### **7.9.1.4. Ethias**

Ethias is currently managing one of Belfius' pension plans in a segregated fund, whereby 100% of the financial gains on the underlying assets are allocated to the plan according to a profit sharing agreement validly concluded between the parties. Ethias claims an exorbitant increase in management costs, 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 the 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 3 million EUR, and ordered Ethias to continue allocating 100% of the financial gains to the segregated fund.

Ethias appealed against the judgment before the Brussels Court of Appeal. On 20 June 2017 the Court (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% 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 not expected before 2018 (H1). 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 the 1H 2017. Consequently no OCI impact is taken into account with respect to this litigation.

## 7.9.2. Management and Supervision of Belfius Bank

Belfius Bank complies with its country's of incorporation corporate governance regime, such as set forth by the Belgian Banking Law and the Companies Code.

### 7.9.2.1. 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 Base Prospectus, the Management Board consists of the following six members:

Name	Position	Significant other functions performed outside Belfius Bank
Marc Raisière	Chairman	none
Dirk Gyselincx	Member	none
Eric Hermann	Member	none
Olivier Onclin	Member	none
Dirk Vanderschrick	Member	none
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 the 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 the 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 the 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 the 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 the bank has a robust structure suited to the bank's organisation, including supervisory measures, with a view to guaranteeing the effective and prudent management of the 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 executive members of the Board of Directors shall withdraw on the date of the General Shareholders' Meeting held in the year in which they reach the age of 65.

The non-executive members of the Board of Directors shall withdraw on the date of the General Shareholders' Meeting held in the year in which they reach the age of 70.

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 the company'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 Base Prospectus

As at the date of this Base Prospectus, the Board of Directors consists of 16 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 the bank's various operating businesses.

<u>Name</u>	<u>Position</u>	<u>Significant functions outside Belfius Bank</u>	<u>other performed</u>
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	none	
Eric Hermann .....	Member of the Management Board of Belfius Bank Chief Risk Officer	none	
Olivier Onclin .....	Member of the Management Board of Belfius Bank Chief Operating Officer Responsible for Operations, IT, Purchasing & Facility Management and Organisation	none	

<u>Name</u>	<u>Position</u>	<u>Significant functions outside Belfius Bank</u>	<u>other performed</u>
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
Els Blaton	Member of the Board of Directors of Belfius Bank (Independent Director)		Consultant
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 Doutrelepon .....	Member of the Board of Directors of Belfius Bank (Independent Director)		Lawyer and Full Professor at the Université Libre de Bruxelles (ULB)
Georges Hübner .....	Member of the Board of Directors of Belfius Bank (Independent Director)		Full Professor at HEC 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		Lawyer
Lutgart Van Den Berghe ...	Member of the Board of Directors of Belfius Bank (Independent Director)		Executive Director at Guberna and Extraordinary Professor at the Vlerick Business School
Rudi Vander Vennet.....	Member of the Board of Directors of Belfius Bank (Independent Director)		Full Professor in Financial Economics and Banking at the University of Ghent (UG)



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

#### **7.9.2.2. Advisory committees set up by the board of directors**

The Board of Directors of Belfius Bank established various advisory committees to assist in its task, i.e. a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee. These committees are exclusively composed of Non-Executive Directors. At least one member of each advisory committee is independent within the meaning of Article 526ter of the Companies Code. The members of these advisory committees sit at a maximum in two of these committees.

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.

##### ***I. Nomination committee***

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

Name	Position
Lutgart Van Den Berghe	Chairman – Director of Belfius Bank
Jozef Clijsters	Member - Chairman of the Board of Directors of Belfius Bank
Carine Doutrelepon	Member - Director of Belfius Bank
Johan Tack	Member – Director 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 the 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 behavior 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 the 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 Base Prospectus, the Remuneration Committee of Belfius Bank has the following membership:

Name	Position
Lutgart Van Den Berghe	Chairman - Director of Belfius Bank
Jozef Clijsters	Member - Chairman of the Board of Directors of Belfius Bank

Carine Doutrelepont	Member - Director of Belfius Bank
Johan Tack	Member – Director 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 the 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 Base Prospectus, the Audit Committee of Belfius Bank has the following membership:

Name	Position
	Chairman
Georges Hübner	Director of Belfius Bank
	Member
Paul Bodart	Director of Belfius Bank
	Member
Chris Sunt	Director of Belfius Bank

The Audit Committee has at least one independent director with the individual expertise required in accountancy and/or audit and has collective expertise in the fields of banking as well as accountancy and 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 Base 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 the bank.

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

- appetite and strategy regarding the 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 the bank with its customer tariffs.
- assessing activities which expose the bank to real risks;
- supervising requirements in terms of capital and liquidity, the capital base and the bank's liquidity situation;
- the guarantee that risks are proportional to the bank's capital;

- formulating an opinion with regard to major transactions and new proposals for strategy activities that have a significant impact on the bank's risk appetite;
- obtaining information and analysing management reports as to the extent and nature of the risks facing the 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 the 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 Base Prospectus, the Mediation Committee has the following membership:

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

### *7.10. Selected financial information*

## Consolidated balance sheet

### Assets

(in thousands of EUR)		Notes	31/12/15	31/12/16
I.	Cash and balances with central banks	5.2.	576,276	5,111,050
II.	Loans and advances due from banks	5.3.	24,318,002	22,002,553
III.	Loans and advances to customers	5.4.	87,189,152	89,702,399
IV.	Investments held to maturity	5.5.	5,017,155	5,393,247
V.	Financial assets available for sale	5.6.	19,733,565	18,819,789
VI.	Financial assets measured at fair value through profit or loss	5.7.	3,222,991	2,985,979
VII.	Derivatives	5.9.	25,943,567	25,307,222
VIII.	Fair value revaluation of portfolio hedge		4,372,902	4,533,779
IX.	Investments in equity method companies	5.10	106,775	97,044
X.	Tangible fixed assets	5.11	1,199,789	1,091,687
XI.	Intangible assets	5.12	81,941	122,541
XII.	Goodwill	5.13	103,966	103,966
XIII.	Current tax assets		6,116	10,662
XIV.	Deferred tax assets	5.14	565,622	405,847
XV.	Other assets	5.15	1,169,777	1,004,389
XVI.	Non current assets (disposal group) held for sale and discontinued operations	5.16	3,354,528	28,772
<b>TOTAL ASSETS</b>			<b>176,962,124</b>	<b>176,720,926</b>

## Liabilities

(in thousands of EUR)		Notes	31/12/15	31/12/16
I.	Due to banks	6.1.	11,537,622	12,581,830
II.	Customer borrowings and deposits	6.2.	68,162,754	74,171,040
III.	Debt securities	6.3.	27,777,552	23,981,430
IV.	Financial liabilities measured at fair value through profit or loss	6.4.	6,916,469	7,524,251
V.	Technical provisions of insurance companies	6.5.	16,688,571	15,990,324
VI.	Derivatives	5.9.	30,060,085	29,572,521
VII.	Fair value revaluation of portfolio hedge		226,472	207,474
VIII.	Provisions and contingent liabilities	6.6.	405,543	412,243
IX.	Subordinated debts	6.7.	913,004	1,398,653
X.	Current tax liabilities		42,369	60,609
XI.	Deferred tax liabilities	5.13	271,967	272,877
XII.	Other liabilities	6.8	2,056,561	1,535,952
XIII.	Liabilities included in disposal group and discontinued operations	6.9	3,243,438	0
<b>TOTAL LIABILITIES</b>			<b>168,302,407</b>	<b>167,709,206</b>

## Equity

(in thousands of EUR)		Notes	31/12/15	31/12/16
XIV.	Subscribed capital		3,458,066	3,458,066
XV.	Additional paid-in capital		209,232	209,232
XVI.	Treasury shares		0	0
XVII.	Reserves and retained earnings		4,135,228	4,491,306
XVIII.	Net income for the period		506,076	535,229
<b>CORE SHAREHOLDERS' EQUITY</b>			<b>8,308,602</b>	<b>8,693,833</b>
XIX.	Remeasurement available-for-sale reserve on securities		757,329	729,864
XX.	Frozen fair value of financial assets reclassified to loans and advances		(544,177)	(498,653)
XXI.	Remeasurement defined benefit plan		119,611	86,990
XXII.	Discretionary participation features of insurance contracts	6.5.	28,788	32,839
XXIII.	Other reserves		(11,462)	(33,326)
<b>GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME</b>			<b>350,089</b>	<b>317,714</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>			<b>8,658,691</b>	<b>9,011,547</b>
XXIV.	Non-controlling interests		1,026	173
<b>TOTAL EQUITY</b>			<b>8,659,717</b>	<b>9,011,720</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>176,962,124</b>	<b>176,720,926</b>

## consolidated statement of income

(in thousands of EUR)		Notes	31/12/15	31/12/16
I.	Interest income	7.1.	4,672,441	3,983,201
II.	Interest expense	7.1.	(2,648,756)	(2,039,969)
III.	Dividend income	7.2.	61,647	88,233
IV.	Net income from equity method companies	7.3.	8,292	5,018
V.	Net income from financial instruments at fair value through profit or loss	7.4.	37,732	16,870
VI.	Net income on investments and liabilities	7.5.	14,180	115,710
VII.	Fee and commission income	7.6.	601,668	625,109
VIII.	Fee and commission expense	7.6.	(104,668)	(117,639)
IX.	Premiums and technical income from insurance activities	6.5.	1,444,631	1,479,376
X.	Technical expense from insurance activities	6.5.	(1,730,512)	(1,734,155)
XI.	Other income	7.7.	138,992	218,785
XII.	Other expense	7.8.	(311,785)	(381,267)
<b>INCOME</b>			<b>2,183,862</b>	<b>2,259,271</b>
XIII.	Staff expense	7.9.	(610,419)	(580,201)
XIV.	General and administrative expense	7.10.	(432,834)	(447,364)
XV.	Network costs		(275,993)	(265,994)
XVI.	Depreciation and amortisation of fixed assets	7.11.	(77,205)	(72,722)
<b>EXPENSES</b>			<b>(1,396,451)</b>	<b>(1,366,281)</b>
<b>GROSS OPERATING INCOME</b>			<b>787,411</b>	<b>892,990</b>
XVII.	Impairments on financial instruments and provisions for credit commitments	7.12.	(92,665)	(115,969)
XVIII.	Impairments on tangible and intangible assets	7.13.	(12,798)	2,502
XIX.	Impairments on goodwill	7.14.	0	0
<b>NET INCOME BEFORE TAX</b>			<b>681,948</b>	<b>779,524</b>
XX.	Current tax (expense) income	7.15	(61,135)	(56,522)
XXI.	Deferred tax (expense) income	7.15	(114,738)	(187,750)
<b>NET INCOME AFTER TAX</b>			<b>506,075</b>	<b>535,251</b>
XXII.	Discontinued operations (net of tax)		0	0
<b>NET INCOME</b>			<b>506,075</b>	<b>535,251</b>
	Attributable to non-controlling interests		(1)	23
	Attributable to equity holders of the parent		506,076	535,229

## 8. TERMS AND CONDITIONS OF THE WARRANTS

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

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

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



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

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

In accordance with Articles I.8.22° and VI.82 to VI.84 of the Belgian Code of Economic Law, the Issuer may not make a unilateral modification of a product if it concerns an essential feature of the product, unless to make modifications to the Warrants that would allow the rights and obligations under the Warrants to be exercised and performed by the Warrant Holders in view of realising a return to the extent possible in accordance with the initially agreed terms and contractual equilibrium, and provided the following cumulative conditions are met:

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

The Conditions that grant or may grant the Issuer and/or the Calculation Agent a unilateral right to modify certain features of the Warrants are :

- (a) Condition 8.7.1 (Change of law)
- (b) Condition 8.7.2. (Cancellation option upon change of Investment Strategy);
- (c) Condition 8.9 (Market Disruption Event or settlement disruption event);
- (d) Condition 8.10.1 (Potential Adjustment Event);
- (e) Condition 8.10.2 (De-Listing, Insolvency, Merger Event or Nationalisation).

The early termination features of the Warrants provided by this Chapter 8, including upon a change in the Investment Strategy as defined under section 8.7.2. (“Cancellation option upon change of investment strategy”) of the Base Prospectus, are only possible upon (i) events of force majeure or other events which significantly modify the economy of the Warrant and for which the Issuer is not responsible (ii), except in the case of force majeure, the Issuer is required to indemnify the Warrant Holder for the loss suffered by the Warrant Holder because of the early termination; (iii) the condition that no costs are charged to the Warrant Holder and (iv) a pro rata refund of the costs already borne by the investor (in the proportion (total initial term minus elapsed period)/total initial term), must be provided for.

When the early termination features of the Warrants provided by this Chapter 8 occur, the Issuer shall pay in accordance with the indemnification-principle laid down in article VI.83. 10° CEL, at least the Fair Market Value of the Warrant. **Fair Market Value** means the valuation using (i) the most relevant available market data, or, (ii) if no such relevant data may be found at the relevant time, a valuation mathematical model generally

accepted in the financial sector that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Reference is made to the valuation principles laid down in section 8.6.1 below.

The Conditions that grant or may grant the Issuer and/or the Calculation Agent a right to terminate and cancel the Warrants under certain circumstances are :

- (a) Condition 8.7.1 (Change of law)
- (b) Condition 8.7.2. (Cancellation option upon change of Investment Strategy);
- (c) Condition 8.10.2 (De-Listing, Insolvency, Merger Event or Nationalisation).

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

The Warrants are issued in dematerialised form in the Denomination(s) specified in the relevant Final Terms. The Issue Price of the Warrants will be at least EUR 10,- (Commission included).

The Warrants will not be physically delivered. They will be held on a global securities account with Belfius Bank, and only respectively assigned to Warrant Holders via an electronic platform managed by Belfius Bank and accessible by every Warrant Holder. Belfius Bank will not charge any fees for Warrants held in the aforementioned global securities account.

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

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

### *8.2. Governing law and jurisdiction*

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

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

### *8.4. Definitions*

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

**Base Prospectus** : the present document, including, for the avoidance of doubt, the Summary, any of its Annexes or, as the case may be, subsequent supplements, which together constitute a base prospectus for the purposes of the articles 29 and 49 of the Prospectus Law of 16 June 2006;

**Belfius Bank** : Belfius Bank NV/SA, a limited liability company of unlimited duration incorporated under Belgian law and registered under the number

0403.201.185 and having its registered office at Boulevard Pachéco 44, B-1000 Brussels;

- Calculation Agent** : Belfius Bank NV/SA (abbreviated as “Belfius Bank”), unless specified otherwise in the relevant Final Terms;
- Commission** : The commission included in the Issue Price, as specified under the relevant Final Terms;
- Company Code** : The Belgian company code, introduced by the Law of 7 May 1999 (as amended);
- De-listing** : Means that the Shares ceases, for any reason, to be listed on the Related Exchange;
- Disrupted Day** : Any scheduled trading day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred;
- Early Closure** : The closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its scheduled closing time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the scheduled closing time on such Exchange Business Day;
- Early Termination Amount** : Means that, if the Warrants, are cancelled the Issuer will pay an amount to each Warrant Holder in respect of each Warrant held by such Warrant Holder which amount shall be the Fair Market Value of a Warrant. The Issuer will also take into account the Merger Event, De-listing, Nationalization or Insolvency, the value of the Underlying Value, the volatility of the Underlying Value, the time remaining to the Maturity Date, the characteristics of the Underlying Value, the dividends of the Underlying Value, any changes of interest rates, any change in currency exchange rates, the liquidity of the Underlying Value and any related transaction costs as the case may be and as applicable. **Fair Market Value** means the valuation using (i) the most relevant available market data, or, (ii) if no such relevant data may be found at the relevant time, a valuation mathematical model generally accepted in the financial sector that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Reference is made to the valuation principles laid down in section 8.6.1 below.
- Exchange** : Each exchange or quotation system, any successor or any substitute exchange or quotation system, including for the avoidance of doubt but

without limitation, any regulated market;

- Exchange Business Day** : A day on which the Exchange is open for business;
- Exchange Disruption** : Any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange;
- Exercise** : Delivery of the Underlying Value against payment of the Strike Price. The request to Exercise needs to be submitted during the Exercise Period;
- Exercise Date** : Date during the Exercise Period on which the Warrants are exercised;
- Exercise Period** : Each business day on which commercial banks in Belgium are open for business from (and including) the date as specified in the relevant Final Terms until (but excluding) the Maturity Date;
- Final Terms** : The document containing the specific final terms relating to a specific series of the Warrants;
- FSMA** : The Financial Services and Markets Authority (*Autorité des services et marchés financiers/ Autoriteit voor Financiële Diensten en Markten*) designated by the Prospectus Law of 16 June 2006 as the authority competent to approve this Base Prospectus;
- IFRS** : International Financial Reporting Standards;
- Insolvency** : Means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the SICAV (i) all the Shares are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares become legally prohibited from transferring them;
- Issue Date** : The issue date specified as such in the relevant Final Terms;
- Issue Price** : The issue price specified as such in the relevant Final Terms;
- Issuer** : Belfius Bank;
- Market Disruption Event** : Means in respect of any Share, the occurrence or existence of (i) a Trading Disruption, (ii) any disruption that affect a relevant Exchange which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant scheduled

closing time or (iii) an Early Closure;

- Maturity Date** : The maturity date specified as such in the relevant Final Terms;
- Merger Date** : Means, in respect of a Merger Event, the date upon which all holders of Shares (other than, in the case of a takeover offer, Shares owned or controlled by the offeror) have agreed or have irrevocably become obliged to transfer their Shares;
- Merger Event** : Means any (i) reclassification or change of Shares that results in a transfer of or an irrevocable commitment to transfer all Shares outstanding, (ii) consolidation, amalgamation or merger of the SICAV with or into another entity (other than a consolidation, amalgamation or merger in which the SICAV is the continuing entity and which does not result in any such reclassification or change of all Shares outstanding) or (iii) other takeover offer for Shares that results in a transfer of or an irrevocable commitment to transfer all Shares (other than Shares owned or controlled by the offeror), in each case if the Merger Date is on or before the Valuation Date in respect of the relevant Warrant;
- Nationalization** : Means that all the shares or all the assets or substantially all the assets of the SICAV are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity;
- Offer** : Any offer on the basis of and, in accordance with, this Base Prospectus and the relevant Final Terms;
- Offering Period** : The offering period specified as such in the relevant Final Terms;
- Potential Adjustment Event** : Means any of the following:
- (i) a subdivision, consolidation or reclassification of Shares (unless a Merger Event) or a free distribution or dividend of Shares to existing holders by way of bonus, capitalization or similar issue;
  - (ii) a distribution or dividend to existing holders of Shares of (a) Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the SICAV equally or proportionately with such payments to holders of Shares or (c) any other type of securities, rights or price as determined by the Calculation Agent;
  - (iii) an extraordinary dividend (provided that any ordinary dividend, whether or not in the form of cash, will not be considered as a Potential Adjustment Event);
  - (iv) a repurchase by the SICAV of Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
  - (v) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the Shares;

<b>Prospectus Law of 16 June 2006</b>	: The Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market (as amended);
<b>Related Exchange</b>	: Means, in respect of the Warrant, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Warrant;
<b>Share</b>	: The Underlying Value, specified as such in the relevant Final Terms;
<b>SICAV</b>	: Candriam Equities L, a UCITS duly registered under the laws of Luxembourg under the Commercial and Companies Register number B47449, with multiple compartments, incorporated for an indefinite duration.
<b>Strike Price</b>	: The Strike Price is equal to the net asset value of the Underlying Value, specified as such in the relevant Final Terms;
<b>Summary</b>	: The summary of the Base Prospectus as such term is used in the Prospectus Law of 16 June 2006;
<b>Trading Disruption</b>	: Any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Warrant on the relevant Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange;
<b>Underlying Value</b>	: a class C share of the compartment Candriam Equities L EUROPE (capitalisation), admitted to trading on the non-regulated market EUR MTF with the Luxembourg Stock Exchange (Code ISIN/Code Trading: LU0027144939; Code Bloomberg: CEK3520 LX), within Candriam Equities L, a UCITS duly registered under the laws of Luxembourg under the Commercial and Companies Register number B47449, with multiple compartments, incorporated for an indefinite duration;
<b>Valuation Date</b>	: Means in respect of any exercised Warrant, the Maturity Date in respect of such Warrant;
<b>Warrant</b>	: Means a warrant that is offered pursuant to this Base Prospectus and the relevant Final Terms;
<b>Warrant Holder</b>	: A person holding Warrants through a participant or, in the case a participant acts on its own account, that participant.

### *8.5. Exercise Procedure*

### *8.5.1. Exercise Notice*

The day on which the Warrants are exercised is called the Exercise Date and falls within the Exercise Period. In order to exercise the Warrants the Warrant Holder shall, at the earliest at the start of the Exercise Period and at the latest on the day before the Maturity Date, notify its decision to the Issuer exclusively via an electronic platform managed by Belfius Bank and accessible by every Warrant Holder.

There are no costs related to the Exercise other than the ordinary charges related to the acquisition of the Underlying Value, as may exist at such time. As of the date of this Base Prospectus, such costs do not exceed 2.5% of the amount so acquired, with a minimum of 100 EUR per transaction.

If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless.

Besides the Exercise, a Warrant Holder may also sell Warrants to the Issuer on the secondary market. In such case the selling price of a Warrant will be determined in good faith by the Issuer in accordance with the principles laid down in section 8.6.1 below.

### *8.5.2. Settlement*

Belfius Bank will deliver the Underlying Value to a securities account chosen by the Warrant Holder or which must be opened by the investor for this purpose. In case the amount of Warrants exercised is inferior to the parity, Belfius Bank will proceed to a settlement in cash by transfer to the cash account indicated by the Warrant Holder.

### *8.5.3. Consequence of the Exercise*

The Exercise is irrevocable.

### *8.5.4. Exercise period*

The Exercise Period is defined in the relevant Final Terms.

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

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

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

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

- The interest rate for the remaining maturity: the value of the Warrant increases if the interest rate until Maturity Date increases.

Investors may find information about the historical returns of the Underlying Value on the website of the Issuer or, if such information cannot be consulted on the website, through a written request at the corporate seat of the Issuer.

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

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

Generally, the (non-)occurrence of anticipated fluctuations in the price of the Underlying Value may disproportionately affect the value of Warrants. Warrants may expire worthless if the Underlying Value does not perform as anticipated. If not exercised in accordance with the Terms and Conditions during the Exercise Period, a Warrant will become void and expire worthless. In order to recover and realize a return upon its investment, a Warrant Holder must be correct about the direction, timing and magnitude of an anticipated change in the value of the Underlying Value. Warrant Holders should also consider that the return on the investment in Warrants is reduced by the costs in connection with the purchase, exercise and/or sale of the Warrants. A general description of these costs is provided in section 8.6.3 below.

More in particular, investing in a Warrant allows the Warrant Holder to exercise its option(s) in case the Underlying Value price fixes above the Strike Price during the Exercise Period. The Warrant Holder benefits in this case of the increase of the Underlying Value. Should the fixing occur below the Strike Price during the Exercise Period, the loss is then limited to the original premium paid to acquire the options. The Warrant Holder may also benefit (suffer) from a positive (negative) evolution of the price of the Warrant during its lifetime.

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

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

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

where:

S = the price of the Underlying Value

P = the value of the Warrant

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

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



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

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

Subscribers to Warrants shall pay the Issue Price as specified in the relevant Final Terms. The Issue Price is paid by the employer not by the employee who has accepted the offer of the Warrants. There are no additional costs of subscription.

In respect of the Exercise of a Warrant during the Exercise Period, the Warrant Holder has to pay the Strike Price specified in the relevant Final Terms. The Strike Price is equal to the net asset value of the Underlying Value, specified as such in the relevant Final Terms. By exercising Warrants, the Warrant Holder purchases the Underlying Value at the Strike Price for an amount of Warrants corresponding to the Parity as specified in the relevant Final Terms. In addition, the Warrant Holder shall pay the applicable fees and taxes related to a subscription in the Underlying Value, as may exist at such time.

A Warrant Holder may also sell Warrants to the Issuer during the entire term of the Warrants irrespective of the applicable Exercise Period. In such case the selling price of a Warrant will be determined in good faith by the Issuer in accordance with the principles laid down in section 8.6.1 above. There are no additional costs related to such a sale. In addition, the Warrant Holder shall pay the applicable taxes related to such a sale, as specified in section 8.15.2 below.

## *8.7. Cancellation*

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

### *8.7.1. Cancellation upon change of law*

The Issuer will cancel the Warrants upon the occurrence of a change of law rendering illegal the execution by it of its obligations arising out of this Base Prospectus and/or the relevant Final Terms in accordance with section 8.10.2 (ii) below. The principles enumerated in the preamble to this Chapter 8 shall apply.

### *8.7.2. Cancellation option upon change of Investment Strategy*

Upon the occurrence of a change of investment strategy enacted by the management bodies of the Underlying Value (the “**Investment Strategy**”), the Issuer may cancel Warrants in accordance with section 8.10.2 (ii) below. The principles enumerated in the preamble to this Chapter 8 shall apply.

### *8.7.3. Discharge upon cancellation*

Any Warrants so cancelled in accordance with this Condition may not be reissued or resold and the obligations of the Issuer in respect of any such Warrants shall be *de iure* fully discharged upon payment of the Early Termination Amount and of the loss incurred by the Warrant Holders. The principles enumerated in the preamble to this Chapter 8 shall apply.

## *8.8. Payment*

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

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

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

### *8.9. Description of market disruption event or settlement disruption that affects the Underlying Value*

“**Market Disruption Event**” means in respect of the Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant scheduled closing time or (iii) an Early Closure.

If any Valuation Date is a Disrupted Day, then the Valuation Date shall be the first succeeding scheduled trading day that is not a Disrupted Day, unless each of the eight scheduled trading days immediately following the original Valuation Date is a Disrupted Day. In that case, (i) that eighth scheduled trading day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine, its good faith estimate of the value of the Share as of the scheduled closing time on that eight scheduled trading day.

For the avoidance of doubt, the Valuation Date for the Share not affected by the occurrence of a Disrupted Day shall be the original Valuation Date.

### *8.10. Adjustments to the Underlying Value*

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

#### *8.10.1. Adjustments in case of the occurrence of a Potential Adjustment Event*

Following the declaration by the SICAV of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Strike Price and/or any of the other terms of these terms and conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting or concentrative effect and (ii) determine the effective date of that adjustment (provided that no adjustment will be made as a result of any payment of an ordinary dividend, whether or not in the form of cash). The principles enumerated in the preamble to this Chapter 8 shall apply.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as practicable to the Warrant Holders, stating the adjustment to the Strike Price and/or any of the other terms of these terms and conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

#### *8.10.2. Adjustments in case of the occurrence of a change in Investment Strategy, De-listing, Insolvency, Merger Event or Nationalization*

If a change in the Investment Strategy as defined under section 8.7.2. ("Cancellation option upon change of investment strategy"), a De-listing, Insolvency, Merger Event or Nationalization occurs in relation to the Underlying Value, the Issuer may take the action described in (i) or (ii) below:

(i) require the Calculation Agent to determine the unilateral modification, if any, of the Terms and Conditions and/or the applicable Final Terms to account for the change in Investment Strategy, Merger Event, De-listing, Nationalization or Insolvency, as the case may be, and determine the effective date of that unilateral modification PROVIDED HOWEVER that in doing so the Calculation Agent may only make a unilateral modification if three cumulative conditions are met:

(x) Change in Investment Strategy, Merger Event, De-listing, Nationalization or Insolvency, as the case may be, significantly modifies the economy of the Warrant and for which the Issuer is not responsible;

(y) the unilateral modification itself is not significant, so that it does not create an imbalance between the rights and obligations of the parties, to the detriment of the Warrant Holders. The Issuer must take all measures and make every effort to continue the Warrant under similar circumstances; and

(z) no costs are charged to the Warrant Holders; or

(ii) cancel the Warrants by giving notice if no adjustment could be made under (i) above. If the Warrants are so cancelled the Issuer will pay the Early Termination Amount. If the Early Termination Amount is zero or negative, no payment will be due. Payments will be made in such manner as shall be notified to the Warrant Holders. The principles enumerated in the preamble to this Chapter 8 as well as in section 8.7 shall apply.

Upon the occurrence of a change in Investment Strategy, Merger Event, De-listing, Nationalization or Insolvency, the Issuer shall give notice as soon as practicable to the Warrant Holders stating the occurrence of a change in Investment Strategy, the Merger Event, De-listing, Nationalization or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

### *8.11. Rounding*

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

### *8.12. Status of Warrants*

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

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

In relation to each issue of Warrants, the Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrant Holders. All calculations and determinations made in respect of the Warrants by the Calculation Agent shall (save in the case

of manifest error) be final, conclusive and binding on the Issuer and the Warrant Holder. The foregoing, does not prejudice nor limit any remedy the Warrant Holder may have under applicable law against the Issuer regarding acts or omissions of the Calculation Agent.

#### *8.14. Notices*

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

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

#### *8.15. Taxation*

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

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

For a description of the tax regime of the Shares to be received upon exercise of the Warrants, we refer to the prospectus pertaining to the Shares.

##### *8.15.1. Belgian income tax*

###### **8.15.1.1. Belgian resident individuals**

Individuals who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax ("*Personenbelasting*" / "*Impôt des personnes physiques*") and who hold the Warrants as a private investment, are subject to the following tax treatment with respect to the Warrants. Other tax rules apply to Belgian resident individuals who do not hold the Warrants as a private investment.

- a) Belgian resident individuals (employees) who receive the Warrants as a benefit in kind from their employer:

The acquisition of the Warrants by an employee from its employer for no consideration constitutes a benefit in kind for the employee. Provided the employer has made a written and dated offer of the Warrants to the employee and the employee has accepted this offer in writing at the latest the 60th day (in practice: the 10th day) following the day of the offer, the taxable benefit in kind is determined according to the Belgian Act of 26 March 1999. The taxable benefit has to be determined on the basis of the rule applicable to options quoted on a stock-exchange. Indeed, a "stock exchange" is defined, for the purposes of the Act of 26 March 1999, as "any regulated market or any other public, regularly functioning market" (article 41, 5° of the Act of 26 March 2014). The employees who wish to sell the Warrants can sell the Warrants to Belfius Bank. Belfius Bank publishes, on a daily basis, a purchase price for the Warrants. This purchase price is based on a generally recognised economic valuation method (such as the Black-Scholes formula). This has to be considered as a "regularly functioning market" for the application of the Act of 26 March 1999 (as confirmed by the Belgian ruling commission in the case at hand). As a consequence, the amount of the taxable benefit is the last price published by Belfius on its internet site on the day before the offer. (by application of article 43 § 2 of the Act of 26 March 1999). This price will be equal to the market value of the warrants, determined on the basis of the standard procedure. The benefit in kind is taxable on the date of attribution, which is irrefutably deemed to be the 60th day following the date of the offer of the Warrants. The benefit in kind is taxable as professional income, at the full personal income tax rate.

The benefit realised upon disposal or upon exercise of the Warrants, is not taxable as professional income, nor as miscellaneous income (article 90, 1° and 13° Belgian Income Tax Code). A loss realised upon disposal of the Warrants is not tax deductible.

The Belgian Revenue may however take the position that the Act of 26 March 1999 is not applicable, in case:

- the Warrants replace a remuneration in violation of the hierarchy of sources of entitlements, as defined in article 51 of the Act of 5 December 1968;
- the Warrants replace a remuneration to which the beneficiary was entitled, and to which the beneficiary has renounced when the remuneration was already earned;
- the Warrants replace a the monthly (fixed or variable) basic wage, the holiday allowance, or the year-end bonus up to the 13th month;
- the Warrants are granted to a person to which the employer has notified a dismissal;
- for new labour contracts, the Warrants replace a the monthly (fixed or variable) basic wage, the holiday allowance, or the year-end bonus up to the 13th month that is usually granted in the enterprise for the concerned category of employees;
- the granting of Warrants is disproportionate (due to its amount or frequency) compared to the usually attributed remuneration.

In these cases, the tax treatment may be different than described above.

b) Belgian resident individuals who acquire the Warrants in a different way than as a benefit in kind:

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

#### **8.15.1.2. Belgian resident companies**

In case a company grants Warrants as a form of remuneration (benefit in kind) to its employees, the company can deduct the acquisition costs of the Warrants as paid wages. The employer granting the Warrants has to mention the benefit in kind resulting of the grant of the Warrants, on the individual payment slips (281.10 and records 325.10), otherwise the benefit in kind could be subject to the special assessment on secret commissions in the hands of the employer (at the rate of 103%). Moreover, the employer has to pay to the Revenue the professional withholding tax on the benefit in kind. If the employee does not reimburse the amount of the professional withholding tax to the employer, the professional withholding tax may have to be grossed-up.

If the company does not grant the Warrants as a form of remuneration to its employee, but would sell them and realise a capital gain, that capital gain would be fully subject to corporate tax. A capital loss recorded or realised on the Warrants would tax deductible.

#### **8.15.1.3. Belgian non-residents**

Individuals that are non-residents of Belgium for Belgian tax purposes and who receive Warrants as a benefit in kind from an employer that is a Belgium resident individual, a Belgian resident company, a Belgian public authority or a Belgian permanent establishment of a foreign company, are subject to tax on the benefit in kind, according to the same rules as described above under 8.15.1.1.a). These individuals should however verify the impact of Double Taxation Conventions on their personal tax situation.

Warrant Holders who are not resident of Belgium for Belgian tax purposes, who have acquired the Warrants otherwise than as a benefit in kind and who are not holding the Warrants through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition, holding or disposal of the Warrants.

#### **8.15.2. Other taxes: tax on stock exchange transactions**

A *taxe sur les opérations de bourse* (tax on stock exchange transactions) will be levied on the purchase and sale in Belgium of the Warrants on a secondary market through a professional intermediary. The rate applicable for

secondary sales and purchases in Belgium through a professional intermediary is EUR 0.27 per cent for with a maximum amount of EUR 1600 per transaction and per party. The Belgian Government has announced an increase of that rate to 0.35 % as from 1 January 2018. 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.

However the tax on stock exchange transactions will not be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the *Code des droits et taxes divers* (Code of various duties and taxes) for the *taxe sur les opérations de bourse*.

## 9. TERMS AND CONDITIONS OF THE OFFER

---

(Annex XII.5 of Regulation (EC) 809/2004)

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

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

The Warrants are deposited in a Belfius Bank global securities account and Belfius Bank will not charge any fees for this service.

The Issuer has the right to cancel any issue of Warrants under the Programme during their Offering Period until the fifth business day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the Offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Warrants will be notified pursuant to Condition 8.14 of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Warrants issue has been reached or if the market conditions adversely affect the interest of the Issuer, as the case may be.

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

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

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

The financial service will be performed by Belfius Bank.

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

## 10. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

---

(Annex XII.6 of Regulation (EC) 809/2004)

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

Belfius Bank will offer the Warrant Holders a possibility to sell the Warrants from the day following the Issue Date by providing liquidity through a single bid price per trading day. These bid prices are subject to a brokerage fee (excluding stock market tax) of 1% maximum. In addition, the bid prices of the Warrants are subject to the market conditions (in practice, the conditions between 4.30 p.m. and 5.30 p.m. (Brussels time) concerning, amongst other things, interest rates, the Underlying Value's value or volatility. The price of each previously executed transaction with the Warrants is available the day after the transaction occurred on an electronic platform managed by Belfius Bank and accessible by every Warrant Holder.

## 11. USE OF PROCEEDS

---

(Annex XII.3 of Regulation (EC) 809/2004)

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

## 12. ADDITIONAL INFORMATION ON THE UNDERLYING VALUE

---

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

The below information has been sourced from the prospectus of Candriam Equities L, SICAV Luxembourg, dated July 1<sup>st</sup>, 2017.

This information has been accurately reproduced in this Base Prospectus and, as far as the Issuer is aware and is able to ascertain from the aforementioned prospectus of the SICAV, no facts has been omitted which would render the reproduced information inaccurate or misleading.

The prospectus of the Underlying Value is available free of charge in all Belfius Bank agencies and can be consulted on the internet site of Candriam (<https://www.candriam.be/en/private/fund-details/LU0027144939/>).

### *12.1. Description of the Underlying Value*

#### *12.1.1. Type and class of share*

The Underlying Value is a Class C share (the “**Share**” or “**Shares**”) of the compartment Candriam Equities L EUROPE (the “**Compartment**”) within Candriam Equities L, a UCITS duly registered under the laws of

Luxembourg under the Commercial and Companies Register number B47449, with multiple compartments, incorporated for an indefinite duration (the “SICAV”).

Class C is offered both to legal entities and natural persons and capitalizes its profits.

The number of shares of the SICAV that may be issued is unlimited. Every share must be fully paid-up upon subscription.

#### *12.1.2. Governing law*

The Underlying Value is governed by the laws of Luxembourg. The SICAV is registered with the Luxembourg Trade and Company Register (*Registre de Commerce et des Sociétés de Luxembourg*) under the number B-47449.

#### *12.1.3. Form*

All shares of the SICAV are registered shares without nominal value. Ownership of a share is only represented, and enforceable vis-à-vis the SICAV, by endorsement in the SICAV’s register of shares. Holders of shares in the SICAV will not receive any certificate representing their shares, except upon express request thereto.

#### *12.1.4. Currency*

The Shares are denominated in EUR.

#### *12.1.5. Rights, limitations thereto and procedure of exercise*

##### **12.1.5.1. Dividend rights**

The Shares are not vested with any dividend right, considering that the shares of Class C within the compartment Candriam Equities L EUROPE capitalizes their profits.

The number of shares of the SICAV that may be issued is unlimited. All shares of the SICAV, including the Shares, are vested with equal rights to a share in liquidation surplus within their compartment, if any, *prorata* the amount of shares existing within the relevant compartment by date of its liquidation.

(a) Fixed date(s) on which the entitlement arises: not applicable.

(b) Time limit after which entitlement to dividend lapses and an indication of the person in whose favour the lapse operates: not applicable.

(c) Dividend restrictions and procedures for non resident holders: not applicable.

(d) Rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments: not applicable.

##### **12.1.5.2. Voting rights**

All shares of the SICAV are vested with an equal voting right, each share representing one vote. The annual general shareholders’ meeting of the SICAV is held each year on April 18<sup>th</sup> at 13:00 at the registered seat of the SICAV, or at any other date and place as notified beforehand by the SICAV to the holders of shares.

##### **12.1.5.3. Pre-emption rights in offers for subscription of securities of the same class**

No shares of the SICAV are vested with any pre-emption- or preference rights.

##### **12.1.5.4. Right to share in the issuer’s profits**

All shares of the SICAV are vested with an equal right to a share in the profit.

##### **12.1.5.5. Rights to share in any surplus in the event of liquidation**



All shares of the SICAV, including the Shares, are vested with an equal right to a share in liquidation surplus, if any, *prorata* the amount of shares issued by the SICAV by date of the liquidation.

#### **12.1.5.6. Redemption provisions**

Every holder of shares in the SICAV is entitled to have his shares redeemed by the SICAV at any time, in accordance with the notification procedure to the depositary bank described in the prospectus of the SICAV.

Redemption price will be lower or higher than the subscription price, depending on the evolution of the net inventory value of the SICAV between the subscription- and redemption dates.

#### **12.1.5.7. Conversion provisions**

Every holder of shares in the SICAV may request conversion of part of or all of the shares he holds in a compartment of the SICAV into shares of another compartment of the SICAV. Such a conversion of shares in, or into shares in, certain compartments and/or classes of shares of the SICAV can however be limited by conditions specific to each compartment at stake.

The procedure for notification to the depositary bank and exercise of the conversion is described in the prospectus of the SICAV.

Conversion rate will be determined by applying the following formula:

$$A = \frac{B \times C \times E}{D}$$

Where:

A: is the amount of shares of the new class or in the new compartment to be attributed

B: is the amount of shares of the current class or in the current compartment to be converted

C: is the net asset value per share of the current class or in the current compartment calculated on the valuation date at stake

D: is the net asset value per share of the new class or in the new compartment calculated on the valuation date at stake

E: is the FX rate on the valuation date at stake between the currency of the current class/compartment and the currency of the new class/compartment.

#### ***12.1.6. Resolution and authorization for new issue of share in the SICAV, issue date***

Not applicable.

#### ***12.1.7. Admission to trading***

The Shares have been admitted to trading since July 20, 1999 on the non-regulated market EUR MTF with the Luxembourg Stock Exchange (Code ISIN/Code Trading: LU0027144939; Code Bloomberg CEK3520 LX).

#### ***12.1.8. Restrictions on transferability***

None.

#### ***12.1.9. Mandatory takeover bids or squeeze-out and sell-out***

Not applicable.

#### ***12.1.10 Public takeover bids during the last and/or current financial year***

Not applicable.

#### ***12.1.11. Impact on the issuer of the Underlying Value of the exercise of the right and potential dilution effect for the shareholders***

No impact.

*12.2. Description of the Issuer of the Underlying Value (if member of the same group)*

Not applicable.

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

---

(Annexes IV.16 and XII.7 of Regulation (EC) 809/2004)

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

Besides, there is no information in the Base Prospectus which has been audited or reviewed by statutory auditors and no auditor has produced a report with respect to this Base Prospectus.

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

Information in Section 12 (“Additional information on the Underlying Value”) has been sourced from the prospectus of Candriam Equities L, SICAV Luxembourg, dated July 1<sup>st</sup>, 2017. It has been accurately reproduced in this Base Prospectus and, as far as the Issuer is aware and is able to ascertain from the aforementioned prospectus of the SICAV, no facts has been omitted which would render the reproduced information inaccurate or misleading.

## 14. DOCUMENTS ON DISPLAY

---

(Annex IV.17 of Regulation (EC) 809/2004)

Copies of (i) the annual reports dated December 31<sup>st</sup>, 2016 for the Issuer and of all subsequent annual reports to be published, and (ii) the articles of association of the Issuer are available free of charge at the office of Belfius Bank and will be available during the entire lifetime of the Warrants.

Additionally, the annual reports of Belfius Bank are available on its internet site <https://www.belfius.com/EN/reports/index.aspx>.

\*\*\*

## ANNEX 1: Template for Final Terms

---

### **FINAL TERMS**

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

[Date]

**BELFIUS BANK SA/NV**  
 Limited liability Company of unlimited duration incorporated under Belgian law  
**Issue of [...] (Aggregate Nominal Amount of Series of Warrants)**  
**[Title of relevant Series of Warrants]**  
**under the**  
**Long Term Warrant**

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

Terms used herein shall be deemed to be defined as such in the Base Prospectus dated [●] which constitutes a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 29, §2 of the Prospectus Law of 16 June 2006 and must be read in conjunction with the Base Prospectus, including, for the avoidance of any doubt, the Summary and any supplements to the Base Prospectus. Full information on the Issuer and the Offer of the Warrants is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [●] and copies may be obtained from the Issuer at that address.

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

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

<b>Warrant type:</b>	The [●] Warrants can only be exercised during the Exercise Period;
<b>Commission:</b>	[●] EUR;
<b>Costs:</b>	There are no additional costs of subscription, no additional costs upon Exercise (besides the payment of the Strike Price) and no additional costs upon a sale to the Issuer. Only applicable subscription fees in the Underlying Value, as may exist at such time and applicable taxes are due;
<b>Exercise Date:</b>	Date during the Exercise Period on which the Warrants are exercised;
<b>Exercise Period:</b>	Each business day on which commercial banks in Belgium are open for business from (and including) [●] until (but excluding) the Maturity Date;
<b>Exercise:</b>	Delivery of the Underlying Value against payment of the Strike Price. The request to Exercise needs to be submitted during the Exercise Period;
<b>Form:</b>	Dematerialized;
<b>Currency:</b>	EUR;

<b>ISIN Code:</b>	[●];
<b>Issue Date:</b>	[●];
<b>Issue Price :</b>	[10,-] EUR (being [●] EUR, increased with the Commission);
<b>Issuer:</b>	Belfius Bank, a limited liability company incorporated under the laws of Belgium (hereinafter “Belfius Bank”) (see the Base Prospectus for information about the Issuer);
<b>Maturity Date:</b>	[●];
<b>Denomination:</b>	[●] EUR;
<b>Offering Period:</b>	The Warrants will be offered for subscription from [●] until and including [●] (4 p.m. Brussels time);
<b>Minimum Amount of the Offer:</b>	[●];
<b>Maximum Amount of the Offer:</b>	[●];
<b>Parity:</b>	The Parity is the number of Warrants necessary to buy an Underlying Value at the payment of the Strike Price. The Parity equals [●]% of the net asset value of the Underlying Value at [●] (which will be posted on <a href="http://www.belfius.be">www.belfius.be</a> on [●]) divided by the Issue Price (Commission excluded);
<b>Strike Price:</b>	The Strike Price is equal to the net asset value of the Underlying Value on [●] which will be posted on <a href="http://www.belfius.be">www.belfius.be</a> denominated in EUR;
<b>Payment Date:</b>	[●]
<b>Governing law and jurisdiction:</b>	The Warrants are governed by the laws of Belgium. All disputes arising out of or in connection with the Warrants shall be exclusively submitted to the jurisdiction of the competent courts in Brussels;
<b>Underlying Value:</b>	a class C share (capitalisation) of the compartment Candriam Equities L EUROPE, admitted to trading on the non-regulated market EUR MTF with the Luxembourg Stock Exchange (Code ISIN/Code Trading: LU0027144939; Code Bloomberg: CEK3520 LX), within Candriam Equities L, a UCITS duly registered under the laws of Luxembourg under the Commercial and Companies Register number B47449, with multiple compartments, incorporated for an indefinite duration.
<b>Responsibility:</b>	The Issuer accepts responsibility for the information contained in these Final Terms;

#### Information relating to the Underlying Value

The below information is sourced from the prospectus of Candriam Equities L, SICAV Luxembourg, dated July 1<sup>st</sup>, 2017.

The prospectus of the Underlying Value is available free of charge in all Belfius Bank agencies and can be consulted on the internet site of Candriam (<https://www.candriam.be/en/private/fund-details/LU0027144939/>).

The Issuer also confirms that as far as it is aware and able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Description of the Underlying Value**

The Underlying Value is a Class C share of the compartment Candriam Equities L EUROPE within Candriam Equities L, a UCITS duly registered under the laws of Luxembourg under the Commercial and Companies Register number B47449, with multiple segments, incorporated for an indefinite duration. Class C is offered both to legal entities and natural persons and capitalizes its profits.

The assets of this compartment consist mainly of a portfolio of variable-yield securities, mainly shares or investment certificates and distributed as follows: (i) at least 75% of these securities are issued by companies having their registered seat within those of the member states of the European Economic Area which have concluded with France a bilateral tax treaty containing a provision for administrative assistance aiming at acting against fraud and anti-tax avoidance, and admitted to trading on a stock exchange or a regulated market, and (ii) up to 25% of these securities are issued by companies having their registered seat in, or operating predominantly in, Europe, and admitted to trading on a stock exchange or a regulated market.

The compartment may also hold, on an ancillary basis, shares and assimilated financial instruments (e.g. convertible bonds, warrants, investment certificates), cash or money market instruments whose residual maturity does not exceed 12 months. The compartment may not invest more than 10% of its assets in funds. For the limited purpose of good management of the portfolio, it is allowed to use techniques and financial instruments such as, among others, options, futures, swaps and forward.

\*\*\*

# ANNEX 2: Articles of Association

---

## “BELFIUS BANK”

Société Anonyme

1000 Brussels, boulevard Pachéco 44

VAT Business number BE0403.201.185 (Brussels Register of legal entities)

Company incorporated under the name “Lending Bank” under the terms of a deed executed by notary Albert Raucq in Brussels, with the intervention of Rudy Pauwels, Master of Law, in Deinze, on the twenty-third of October nineteen sixty-two, published in the annex to the Moniteur Belge [official gazette] of the eighth of November thereafter, under number 29878. The Articles of Association have been amended further to records drawn up by:

### 1) the notary Albert RAUCQ, aforementioned:

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

### 2) the notary Gilberte RAUCQ, in Brussels:

- on the twentieth of September nineteen seventy-two, published in the annex to the Moniteur Belge of the fourteenth of October thereafter, under number 2811-3;
- on the eleventh of October nineteen seventy-nine, published in the form of an excerpt in the annex to the Moniteur Belge of the eighth of November thereafter, under number 1847-5;
- on the twenty-seventh of October nineteen eighty-two, published in the annex to the Moniteur Belge of the twenty-third of November thereafter, under number 2238-9;
- on the thirtieth of May nineteen eighty-three, published in the form of an excerpt in the annex to the Moniteur Belge of the twenty-third of June thereafter, under number 1605-5;
- on the sixteenth of December nineteen eighty-three, published in the form of an excerpt in the annex to the Moniteur Belge of the fourteenth of January nineteen eighty-four, under number 366-11;
- on the seventeenth of October nineteen eighty-five, published in the form of an excerpt in the annex to the Moniteur Belge of the thirteenth of November thereafter, under number 851113-22 and the thirty-first of October nineteen eighty-six, published in the form of an excerpt in the annex to the Moniteur Belge of the second of December nineteen eighty-six under numbers 861202-142 and 143;
- on the seventeenth of November nineteen eighty-six, published in the form of an excerpt in the annex to the Moniteur Belge of the sixteenth of December thereafter, under numbers 861216-221 and 222;
- on the thirtieth of October nineteen eighty-seven, published in the form of an excerpt in the annex to the Moniteur Belge of the twenty-eighth of November thereafter, under numbers 871128-284 and 285;
- on the fourth of December nineteen eighty-nine, published in the form of an excerpt in the annex to the Moniteur Belge of the third of January nineteen ninety, under numbers 900103-75 and 76;
- on the twenty-seventh of June nineteen ninety, published in the form of an excerpt in the annex to the Moniteur Belge of the twenty-sixth of July thereafter, under numbers 920618-54 and 55;
- on the twenty-fifth of May nineteen ninety-two, published in the form of an excerpt in the annex to the Moniteur Belge of the eighteenth of June thereafter, under numbers 920618-56 and 57;
- on the first of June nineteen ninety-three, published in the form of an excerpt in the annex to the Moniteur Belge of the twenty-sixth of June thereafter, under numbers 930626-26 and 27;
- on the twenty-sixth of June nineteen ninety-five, published in the form of an excerpt in the annex to the Moniteur Belge of the twentieth of July thereafter, under numbers 950720-31 and 32;
- on the twenty-sixth of May nineteen ninety-seven, published in the form of an excerpt in the annex to the Moniteur Belge of the twenty-fifth of June thereafter, under numbers 970625-14 and 15;
- on the twelfth of February nineteen ninety-eight (containing a change of company names), published in the form of an excerpt in the annex to the Moniteur Belge of the eighteenth of February thereafter, under numbers 980218-434 and 435;
- on the twenty-fourth of September nineteen ninety-eight, published in the form of an excerpt in the annex to the Moniteur Belge of the twenty-first of October thereafter, under numbers 981021-351 and 352;

- on the twenty-fourth of February nineteen ninety-nine, published in the form of an excerpt in the annex to the Moniteur Belge of the eighteenth of March thereafter, under numbers 990318-36 and 37.

3) the notary Eric SPRUYT, in Brussels:

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

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

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

5) The notary Herwig VAN DE VELDE, aforesaid:

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

6) The notary Carole GUILLEMYN, in Brussels:

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

7) The notary Herwig VAN DE VELDE aforesaid:

- on the thirty-first of August two thousand and four, published in the Annexes to the Moniteur Belge of the twenty-second of September thereafter, under numbers 04134061 and 04134062.
- on the thirty-first of May two thousand and five, published in the Annex to the Moniteur Belge of the twenty-seventh of June thereafter, under numbers 090336 and 090337.
- on the first of July two thousand and five, published in the Annex to the Moniteur Belge under numbers 2005-08-05/0113834 and 0113835.
- on the thirty-first of August two thousand and five, published in the Annex to the Moniteur Belge, 2005-09-20 under numbers 0131421 and 0131422.
- on the fifteenth of December two thousand and five, published in the Annex to the Moniteur Belge of the eleventh of January two thousand and six, under numbers 06011365 and 0601366.

8) The notary Carole GUILLEMYN, aforesaid:

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

9) The notary Carole GUILLEMYN, aforesaid:

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

10) The notary Herwig VAN DE VELDE, aforesaid:

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

11) The notary Carole GUILLEMYN, aforesaid:

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

12) The notary Carole GUILLEMYN, aforesaid:

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

13) The notary Carole GUILLEMYN, aforementioned:

- on 2 December 2013, published in the Annex to the Moniteur Belge of 10 January 2014, under numbers 1401144 and 14011045.

## COORDINATED ARTICLES OF ASSOCIATION

### SECTION I – LEGAL FORM – NAME – REGISTERED OFFICE - OBJECT

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

The Company is a limited liability Company.

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

The Company may carry on its commercial activities under the following denominations: its name and its commercial denominations "Belfius Bank & Verzekeringen", "Belfius Banque & Assurances", "Belfius Bank & Versicherungen", "Belfius Bank & Insurance", "Belfius", "Dexia Bank België", "Dexia Banque Belgique", "Dexia Bank Belgien", "Dexia Bank Belgium", "Dexia Bank", "Dexia Banque", "Artesia Banking Corporation", "Artesia BC", "Artesia Bank", "Banque Artesia", "Artesia", "BACOB", "BACOB Bank" and "BACOB Banque".

The Company is established for an indefinite duration.

The Company has the capacity of a Company that currently publicly appeals, or has previously publicly appealed to saving funds.

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

The registered office of the Company is situated at Brussels, boulevard Pachéco 44. The registered office may be transferred to another place, within the region of Brussels-capital, by decision of the Board of Directors.

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

#### **Article 3 - OBJECT**

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

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

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

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

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

4° transactions in financial derivatives

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

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

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

### SECTION II – CAPITAL - SHARES

#### **Article 4 – CAPITAL, SHARES**

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



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

#### **Article 5 - AUTHORISED CAPITAL**

The Board of Directors is authorised to increase the authorised capital of the company in one or more instalments at such times and on such terms and conditions as it shall determine up to a maximum amount of three billion four hundred fifty eight million sixty six thousand two hundred twenty seven euros and forty one cent (EUR 3.458.066.227,41). Such authority shall be valid for a period of five years from the gazetting in the annexes to the Moniteur Belge [Official Gazette] of the alteration of the Articles resolved by the extraordinary general meeting of December 2nd 2013. It shall be renewable.

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

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

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

Any share premium resulting from an increase of capital resolved by the Board of Directors shall be recorded in a reserve account not available for distribution, which shall offer the same third party guarantees as the capital, and may not, other than where capitalised by resolution of the General Meeting or Board of Directors as provided above, be reduced or cancelled other than by resolution of the General Meeting taken in the conditions prescribed by article 612 of the Belgian Companies Code.

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

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

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

#### **A. BOARD OF DIRECTORS**

##### **Article 7 - COMPOSITION**

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

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

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

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

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

7.3 The General Meeting determines the remuneration of the Board members, with the exception of the executive members.

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

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

7.6 The Board of Directors draws up regulations governing its procedures and regularly reviews those procedures.

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

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

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

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

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

8.5 At least four of the non-executive members are independent, it being understood that, for the purposes of the present article, independent means the Board members who have the characteristics described in article 526ter of the Belgian Companies Code, namely:

1° for a period of five years prior to his appointment, he has not held the mandate of executive member of the management organ or the position of member of the Management Board or been entrusted with the day-to-day management either at the Company or at an associated Company or for an associated person as described in article 11;

2° Has not held more than three consecutive mandates as non-executive board member on the Board of Directors, for a period not exceeding twelve years;

3° has not, for a period of three years prior to his appointment, formed part of the managerial personnel with the meaning of article 19, 2°, of the Belgian Law of 20 September 1948 on the Organisation of the Economy, of the Company or of a Company or person associated with the Company, as described in article 11;

4° does not and has not received from the Company or from a Company or person associated with the Company as described in article 11 any remuneration or other significant benefit of a proprietary nature, other than the bonuses and remuneration he may receive or have received as a non-executive member of the management organ or member of the supervisory organ;

5°

a) does not own any rights in the company that represent one tenth or more of the capital, of the social fund or of a category of shares in the Company;

b) if he holds entitlements that represent a quota of less than 10%:

- those entitlements, together with the entitlements held in the same Company by companies over which the independent Board member exerts control, must equal less than one tenth of the capital, of the social fund or of a category of shares in the Company; or

- acts of disposal of the shares or the exercising of the rights associated with those shares may not be subject to agreements or unilateral commitments entered into by the independent member of the management organ;

c) under no circumstances represents a shareholder to whom the conditions of this point apply;

6° has no significant business relationship, nor has had any such relationship in the previous financial year, with the Company or with a Company or person associated with it as described in article 11, either directly or as a partner, shareholder, member of the management organ or member of the managerial personnel within the meaning of article 19, 2° of the Belgian Law of 20 September 1948 on the Organisation of the Economy, of a Company or person that does have such a relationship;

7° has not, in the last three years, been a partner in or employee of the current or previous auditor of the Company or of a Company or person associated with the Company within the meaning of article 11;

8° is not an executive member of the management organ of another company on which an executive Board member of the Company has a seat in the capacity of non-executive member of the management organ or as member of the supervisory organ, and has no other significant links with executive Board members of the Company as a result of positions held at other companies or on other organs;

9° does not have a spouse, civil-law partner or relation by blood or affinity up to the second degree who exercise at the Company or at a Company or for a person associated with the Company as described in article 11 a mandate as member of the management organ, member of the Management Board, person entrusted with the day-to-day management or member of the managerial personnel, within the meaning of article 19, 2° of the Belgian Law of 20 September 1948 on the Organisation of the Economy, or to whom one of the other circumstances described in points 1° to 8° apply.

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

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

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

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

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

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

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

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

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

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

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

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

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

All deliberations require at least half of the members to be present or represented.

Decisions are taken by a majority of votes cast by the members present or represented, and in the event of a tied vote, the Chairman or the person representing him has the casting vote.

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

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

11.4 In exceptional cases, duly justified by their urgency and in the interests of the Company, the decisions of the Board of Directors may be taken through the unanimous written consent of its members. The signatures of members of the Board may be placed either on one single document or on several copies of the same document. The decisions shall bear the date of the last signature placed on the said document or documents. However, recourse to this procedure shall not be possible for the closing of the annual accounts.

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

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

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

### **B. MANAGEMENT BOARD**

#### **Article 12 – DELEGATION BY THE BOARD OF DIRECTORS**

12.1 In accordance with the law, the Board of Directors may delegate all or part of the powers referred to in article 522, paragraph 1, 1 of the Belgian Companies Code to a Management Board, for which only members of the Board of Directors can qualify.

However, this delegation may not involve either the determination of general policy or acts reserved to the Board of Directors by other provisions of the said Companies Code.

12.2 The Management Board exercises the effective management of the bank.

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

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

### **Article 13 - COMPOSITION**

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

The members of the Management Board constitute a collegial body.

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

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

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

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

13.5 The Management Board may appoint a Secretary, who is either a member of the Committee or not.

13.6 The Management Board draws up regulations governing its procedures and regularly reviews those procedures.

### **Article 14 - DISCHARGE**

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

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

15.1 The quorum with which the committee may validly transact its business is at least half the directors present in person or by proxy.

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

Each member can only represent one of his colleagues.

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

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

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

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

## **C. OTHER COMMITTEES**

### **Article 16 – AUDIT COMMITTEE – APPOINTMENTS AND COMPENSATION COMMITTEE – STRATEGIC COMMITTEE AND RISK & CAPITAL COMMITTEE**

16.1 The Board of Directors shall establish an Audit Committee, an Appointments and Compensation Committee, a Strategic Committee and a Risk & Capital Committee, and any other committee the Board deems necessary, and will determine the composition, functioning, manner of deliberation and tasks of those committees.

16.2 The Audit Committee comprises at least one independent member of the Board of Directors, appointed by the Board of Directors, who has the required accountancy and auditing expertise. The members of the Audit Committee have combined expertise in the field of the activities of the credit institution concerned and in accountancy and auditing.

The primary task of the Audit Committee is to assist the Board of Directors with analysing the financial information, including the annual accounts, the annual report and the interim reports.

In addition, the Audit Committee carries out the tasks entrusted to it by the Board of Directors or the Articles of Association.

The annual report of the statutory management organ demonstrates the individual and combined expertise of the members of the Audit Committee.

16.3 The Appointments and Compensation Committee comprises at least one independent Board member, appointed by the Board of Directors from among its members.

The composition of the Appointments and Compensation Committee is such that it can form an expert and independent opinion on the remuneration policy and remuneration practices, in accordance with the applicable regulatory and supervisory requirements.

The Appointments and Compensation Committee submits a proposal for a decision to either the Board of Directors or the General Meeting as appropriate, for each decision about the direct or immediate, indirect or deferred pecuniary benefits associated with the function of or awarded to the members of the management organs. In addition, each year the Committee prepares a report on the remuneration paid, to be appended to the management report.

The annual report of the statutory management organ demonstrates the individual and combined expertise of the members of the Appointments and Compensation Committee.

16.4 The Board of Directors decides on the composition of the Strategic Committee. The Strategic Committee comprises, as a minimum, the Chairman of the Board of Directors and the Chairman of the Management Board. The Strategic Committee assists the Board of Directors with determining the bank's strategic objectives and in specific tasks that are entrusted to the Committee.

16.5 The Board of Directors decides on the composition of the Risk & Capital Committee. The members of the Committee are chosen for their risk management expertise.

The task of the Committee is to assist the Board of Directors in determining the risk policy, the monitoring of the bank's risk profile and supervising the risk management function, in accordance with the sound and prudent management of the bank.

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

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

#### **D. REPRESENTATION**

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

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

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

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

##### **Article 18 – DUTY OF DELICACY**

18.1 Without prejudice to article 523 and 524ter of the Belgian Companies Code, if a Board member or a member of the Management Board has a direct or indirect interest of any nature whatsoever that is in conflict with a proposed act or decision which, as applicable, is or may become within the sphere of competence of the Board of Directors or the Management Board, including as a result of a dual function, he shall inform the Chairman at once and may not take part in the deliberations or the vote on that proposal; however, when a dual function concerns a company linked to the company in the sense of article 11 of the Belgian Companies Code, it may, notwithstanding the above, attend deliberations and take part in the vote.

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

### **SECTION IV – MEETINGS OF SHAREHOLDERS**

##### **Article 19 – MEETINGS OF SHAREHOLDERS**

19.1 The General Meeting of shareholders represents all shareholders.

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

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

19.2 Bondholders, holders of warrants and certificates, issued in collaboration with the Company, may only attend the General Meeting in an advisory capacity.

##### **Article 20 – CONVENING GENERAL MEETINGS**

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

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

##### **Article 21 – ANNUAL MEETING**

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

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

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

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

Bondholders, holders of warrants and certificates, issued in collaboration with the Company, may only attend the General Meeting in an advisory capacity.

Registered bondholders, registered holders of warrants and certificates, issued in collaboration with the Company, must at least five days prior to the date of the General Meeting, give notice in writing of their intention to attend the General Meeting.

Bearer bondholders, holders of warrants and certificates, issued in collaboration with the Company, must at least five days prior to the date of the General Meeting, deposit their securities at the registered office of the Company or at another place mentioned in the convening notice; the holders of dematerialised securities must in the same manner deposit a certificate which is drawn up by the certified account holder or clearing institution, confirming that the securities are unavailable until the date of the Meeting, inclusive. They shall be admitted to the General Meeting upon presentation of the certificate proving that their securities or the certificate was deposited in time.

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

Shareholders may, pursuant to the provision of article 540 of the Belgian Companies Code, put questions to the directors and/or auditor(s) about their reports or points on the agenda. These questions will be answered, where appropriate, by the directors or auditors during the General Meeting.

Shareholders may put the questions dealt with above in writing as soon as the attendance notice has been issued. Provided these shareholders have satisfied the formalities for admission to the meeting and these questions reach the company at the latest on the sixth day prior to the meeting, these questions will be answered.

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

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

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

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

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

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

### **SECTION V – AUDITORS**

#### **Article 24 - AUDITORS**

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

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

### **SECTION VI – ANNUAL ACCOUNTS**

#### **Article 25 – FINANCIAL YEAR, INVENTORY, ANNUAL ACCOUNTS**

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

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

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

#### **Article 26 – DISTRIBUTION OF PROFITS**

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

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

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

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

Under the conditions provided for the Belgian Companies Code, the Board of Directors may pay interim dividends.

### **SECTION VII – WINDING-UP**

#### **Article 27 – WINDING-UP, DISTRIBUTION OF AVAILABLE ASSETS**

In the event of the Company being wound up, the General Meeting appoints one or more liquidators, and determines their powers and fees and fixes the liquidation procedure.

The Board of Directors is as a matter of law responsible for the liquidation until the liquidators are appointed.

After clearance of the Company's debts and liabilities, the liquidation proceeds are distributed equally between the shareholders in one or more instalments.

### **SECTION VIII – MISCELLANEOUS PROVISIONS**

#### **Article 28 – ELECTION OF DOMICILE**

The shareholders, members of the Board, auditors and liquidators are obliged to elect domicile in Belgium for all their dealings with the Company. If they do not comply with this obligation, they shall be deemed to have elected domicile at the registered office of the Company, where all writs, notices and summons will be served upon them and where all letters and communications may be sent to them.

#### **Article 29 – TRANSITIONAL PROVISIONS**

Article 7.1, paragraph 2 will not take effect until the fiscal year commencing on 1 January 2019.

In the interim the Company will ensure that the objective described in that article is gradually achieved as further appointments and reappointments are made.

Coordinated text of the Articles of Association certified true by Carole Guillemin, Master of Law, notary in partnership in Brussels, 24 December 2013.

**REGISTERED OFFICE OF**

**ISSUER AND CALCULATION AGENT**

**Belfius Bank SA/NV**  
Boulevard Pachéco 44  
B- 1000 Brussels  
Belgium

**AUDITORS**

**Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA**  
Berkenlaan 8B  
1831 Diegem  
Belgium