

12 September 2016



**BNP PARIBAS FORTIS SA/NV**  
*(incorporated with limited liability in Belgium)*

**EUR 10,000,000,000**

**Residential Mortgage Pandbrieven Programme**

*Arrangers*

**BNP PARIBAS FORTIS SA/NV**

**BNP PARIBAS**

*Dealers*

**BNP PARIBAS FORTIS SA/NV**

**BNP PARIBAS**

Base Prospectus dated 12 September 2016 for the purpose of listing the Mortgage Pandbrieven.

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

Application has been made to Euronext Brussels for the Mortgage Pandbrieven issued under the Programme to be listed on Euronext Brussels. Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (as amended, supplemented or replaced from time to time, **MiFID**). Application may also be made for Mortgage Pandbrieven issued under the Programme to be admitted

to trading on another market that is also a regulated market under such Directive. The Programme also permits Mortgage Pandbrieven to be issued on the basis that they (i) will not be admitted to listing, trading or quotation by any competent authority, stock exchange and/or quotation system or (ii) will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed by the Issuer. References in this Base Prospectus to Mortgage Pandbrieven being “**listed**” (and all related references) shall mean that the Mortgage Pandbrieven have been listed on Euronext Brussels and admitted to trading on Euronext Brussels’ regulated market or on another regulated market for the purposes of MiFID, as specified in the relevant Final Terms (as defined below).

## **BNP Paribas Fortis SA/NV**

*(Incorporated with limited liability in Belgium)*

**EUR 10,000,000,000**

### **Residential Mortgage Pandbrieven Programme**

Under this EUR 10,000,000,000 Residential Mortgage Pandbrieven Programme (the **Programme**), BNP Paribas Fortis SA/NV (the **Issuer** or **BNP Paribas Fortis**) may from time to time issue belgische pandbrieven/lettres de gage belges (**Mortgage Pandbrieven**) in accordance with the provisions of the law of 25 April 2014 on the legal status and supervision of the credit institutions, as amended from time to time (the **Banking Law**) and its implementing royal decrees and regulations, on the issuance of Belgian covered bonds. Mortgage Pandbrieven under the Programme may be issued in Euro or in another currency as set out in the relevant Final Terms agreed between the Issuer and the relevant Dealers (as defined below). Any Mortgage Pandbrieven issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein.

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

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

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

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

On 9 February 2016, the National Bank of Belgium (the **NBB**) has admitted the Issuer to the list of credit institutions that are authorised to issue Mortgage Pandbrieven and has admitted the Programme to the list of authorised programmes for issuance of Mortgage Pandbrieven. Issuances made under the Programme shall be included in the list of the Mortgage Pandbrieven on the website of the NBB at [www.nbb.be](http://www.nbb.be) (Prudential Supervision - Areas of Responsibility - Credit Institutions - Lists – Covered bond issuances carried out by the credit institutions).

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

Mortgage Pandbrieven may be issued in dematerialised form (the **Dematerialised Mortgage Pandbrieven**), in registered form (the **Registered Mortgage Pandbrieven**) or in such form as may be specified in the applicable Final Terms. Dematerialised Mortgage Pandbrieven will be issued in dematerialised form under the Belgian Company Code (*Wetboek van vennootschappen/Code des sociétés*) (the **Belgian Company Code**) and cannot be physically delivered. The Dematerialised

Mortgage Pandbrieven will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the NBB or any successor thereto (the **Securities Settlement System**). Access to the Securities Settlement System is available through those of its Securities Settlement System participants whose membership extends to securities such as the Mortgage Pandbrieven. Securities Settlement System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**). Accordingly, the Dematerialised Mortgage Pandbrieven will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Dematerialised Mortgage Pandbrieven within securities accounts in Euroclear and Clearstream, Luxembourg. Registered Mortgage Pandbrieven will be registered in a register maintained by the Issuer or a registrar on behalf of the Issuer (the **Registrar**) in accordance with Article 462 et seq. of the Belgian Company Code.

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

Notice of the aggregate nominal amount of Mortgage Pandbrieven, interest (if any) payable in respect of Mortgage Pandbrieven, the issue price of Mortgage Pandbrieven and certain other information which is applicable to each Tranche (as defined under “Terms and Conditions of the Mortgage Pandbrieven”) of Mortgage Pandbrieven will be set out in a final terms document (the **Final Terms**) which, with respect to Mortgage Pandbrieven to be listed on Euronext Brussels, will be filed with the FSMA. Copies of Final Terms in relation to Mortgage Pandbrieven to be listed on Euronext Brussels will also be published on the website of the Issuer ([www.bnpparibasfortis.com](http://www.bnpparibasfortis.com)).

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

Series of Mortgage Pandbrieven to be issued under the Programme may be rated or unrated, as specified in the applicable Final Terms. Where a Series or a Tranche is rated, such rating will not necessarily be the same as the ratings assigned to other Series or Tranches of Mortgage Pandbrieven.

The Mortgage Pandbrieven issued under the Programme are expected on issue to be assigned a rating by Standard and Poor’s Rating Services or its successors (**S&P**) and Moody’s Investors Services Ltd or its successors (**Moody’s**), or any other rating agency as shall be specified in the Final Terms to the extent each such agency is a Rating Agency (as defined herein) at the time of the issuance of the Mortgage Pandbrieven.

These Rating Agencies will be established in the European Union and registered under Regulation (EC) No. 1060/2009, as amended, (the **CRA Regulation**) and be included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Details of the ratings of the Mortgage Pandbrieven will be specified in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating organisation.

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

This Base Prospectus shall be valid for a period of one year from its date of approval.

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## SECTION 1 - GENERAL DESCRIPTION OF THE PROGRAMME

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

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

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

### PRINCIPAL PARTIES

<b>Arrangers</b>	BNP Paribas Fortis SA/NV and BNP Paribas, a French limited liability company ( <i>société anonyme</i> ) incorporated under the laws of France, licensed as credit institution ( <i>établissement de crédit</i> ) having its registered office at 16, boulevard des Italiens - 75 009 Paris, registered with the Paris Trade and Company register under number 662 042 449 ( <b>BNP Paribas</b> ) (together, the <b>Arrangers</b> ).
<b>Auditors</b>	PriceWaterhouseCoopers Bedrijfsrevisoren BV o.v.v. CVBA, represented by Damien Walgrave with its registered office at Woluwe Garden, Woluwedal 18, 1932 Zaventem, registered with the Crossroad Bank for enterprises under number RPM 0429.501.944; and Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Yves Dehogne and Bernard de Meulemeester with its registered office at Berkenlaan 8B, 1831 Diegem, Belgium, registered with the Crossroad Bank for enterprises under number RPM 0429.053.863.
<b>Calculation Agent</b>	BNP Paribas Fortis SA/NV or any other calculation agent appointed by the Issuer pursuant to a Calculation Agency Agreement, as specified in the applicable Final Terms (the <b>Calculation Agent</b> )
<b>Competent Authority</b>	<i>De Nationale Bank van België/La Banque Nationale de Belgique</i> , a public company with limited liability incorporated under the laws of Belgium, with registered office at De Berlaimontlaan 14, 1000 Brussels, registered with the Crossroads Bank for Enterprises under number



RPM/RPR 0203.201.340, Commercial Court of Brussels  
(the **NBB** or the **Competent Authority**)

**Cover  
Monitor**

**Pool**

A reputable firm of independent auditors and accountants, not being the statutory auditor of the Issuer for the time being, appointed pursuant to the Cover Pool Monitor Agreement as an independent cover pool monitor (*portefeuillesurveillant/surveillant de portefeuille*) (i) to issue periodic reports to the NBB on compliance by the Issuer with the Belgian Covered Bond Regulations (as defined herein), (ii) assume the responsibilities as specified under the Belgian Covered Bond Regulations and the NBB Cover Pool Monitor, and (iii) to review the Statutory Tests both as provided for in the Belgian Covered Bond Regulations and in accordance with the requirements of the NBB.

The initial Cover Pool Monitor will be David De Schacht, accredited auditor for financial institutions, domiciled at 3391 Tielt-Winge, Attenrodestraat 43 and Jurgen De Raedemaeker, accredited auditor for financial institutions, domiciled at 3210 Lubbeek, Molendries 42, acting jointly and severally (the **Cover Pool Monitor**).

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

**Cover  
Administrator**

**Pool**

In accordance with Article 8, §1 of Annex III to the Banking Law the NBB may designate a cover pool administrator in certain circumstances including (i) upon the adoption of a reorganisation measure against the Issuer if such measure, in the opinion of the NBB, may negatively affect the Mortgage Pandbrieven Holders, (ii) upon the initiation of winding-up proceedings against the Issuer, (iii) upon the removal of the Issuer from the list of Mortgage Pandbrieven issuers or (iv) in circumstances where the situation of the Issuer is such that it may seriously affect the interest of the Mortgage Pandbrieven Holders (the **Cover Pool Administrator**).

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

**Dealers**

BNP Paribas Fortis SA/NV, BNP Paribas, and any other dealers appointed from time to time in accordance with the Programme Agreement (each, a **Dealer** and together, the **Dealers**).

<b>Domiciliary Agent</b>	BNP Paribas Fortis SA/NV (the <b>Domiciliary Agent</b> ).
<b>Hedging Counterparties</b>	The Issuer may, from time to time during the Programme, enter into Hedging Agreements with various swap providers to hedge certain risks (including, but not limited to, interest rate, liquidity and credit) related to the Cover Assets and/or the Mortgage Pandbrieven (each a <b>Hedging Counterparty</b> ).
<b>Issuer</b>	BNP Paribas Fortis SA/NV (also referred to as <b>BNP Paribas Fortis</b> or the <b>Issuer</b> ), a credit institution existing under the laws of the Kingdom of Belgium, with its registered office at 1000 Brussels, Montagne du Parc 3, registered with the Crossroad Bank for enterprises under number RPM 0403.199.702, Commercial Court of Brussels.
<b>Liquidity Facility Provider</b>	The Issuer may, from time to time during the Programme, enter into Liquidity Facility Agreements with one or more liquidity facility providers (each a <b>Liquidity Facility Provider</b> ) in order to improve the liquidity of the Special Estate.
<b>Listing Agent</b>	BNP Paribas Fortis SA/NV (the <b>Listing Agent</b> ) in case the Mortgage Pandbrieven are listed on Euronext Brussels.  For Mortgage Pandbrieven listed on another market, the listing agent will be identified in the Final Terms.
<b>Mortgage Pandbrieven Holders' Representative</b>	Stichting BNP Paribas Fortis Mortgage Pandbrieven Representative has been appointed as representative ( <i>vertegenwoordiger/représentant</i> ) of the Mortgage Pandbrieven Holders in accordance with Article 14, §2 of Annex III to the Banking Law (the <b>Mortgage Pandbrieven Holders' Representative</b> ).
<b>Other Cover Pool Creditors</b>	Means the Mortgage Pandbrieven Holders' Representative, any Cover Pool Administrator, the Cover Pool Monitor, the Agents, the Hedging Counterparties (if any), the Registrar, any Liquidity Facility Providers (if any) and any Operational Creditors.
<b>Operational Creditors</b>	Means any servicer appointed to service the Cover Assets, any account bank appointed to hold accounts of the Issuer in relation to the Special Estate, any stock exchange on which the Mortgage Pandbrieven are listed and/or admitted to trading, any auditor, legal counsel and tax advisor of the Issuer in relation to the Special Estate or the Programme, any custodian of Cover Assets or assets in the Special

Estate, any rating agency appointed by the Issuer to rate the Programme or the Mortgage Pandbrieven, any agent or party appointed in accordance with the Programme Documents, any other creditor of amounts due in connection with the management and administration of the Special Estate and any other creditor of the Issuer pursuant to any services provided or any transaction entered into in connection with the Special Estate or the Programme and notified to the Mortgage Pandbrieven Holders' Representative or as may from time to time be specified in the Terms and Conditions of any Mortgage Pandbrieven issued under the Programme.

**Paying Agent** BNP Paribas Fortis SA/NV or as may be specified in the relevant Final Terms (the **Paying Agent**)

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

On the date of this Base Prospectus, S&P and Moody's have been appointed to provide ratings for those Series of Mortgage Pandbrieven which are to be rated.

**Registrar (for Registered Mortgage Pandbrieven)** BNP Paribas Fortis SA/NV, or any other party to be specified in the applicable Final Terms. The initial Registrar will be BNP Paribas Fortis SA/NV.

The Registrar will be responsible for maintaining a register for the Registration of Registered Mortgage Pandbrieven which shall show the principal amount of Registered Mortgage Pandbrieven (as well as their date of issue and the Special Estate relating to such Registered Mortgage Pandbrief), in accordance with Article 462 et seq. of the Belgian Company Code. The Registrar will cancel any redeemed Mortgage Pandbrieven.

*The parties listed above are appointed to act in respect of the Programme pursuant to the Programme Documents as further described under the section of this Base Prospectus entitled "Description of Principal Documents" below. The relevant Programme*

*Documents provide that other parties may be appointed from time to time and contain certain provisions in relation to the replacement of the above-mentioned parties.*

## PROGRAMME DESCRIPTION

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

The NBB has admitted the Programme to the list of authorised programmes for the issue of Belgian covered bonds on 3 May 2016. The NBB will regularly update such list, upon notification by the Issuer, with the Mortgage Pandbrieven issued under the Programme and will indicate that the Mortgage Pandbrieven constitute *belgische pandbrieven/lettres de gage belges* under the Belgian Covered Bond Regulations.

**NBB licence to issue Belgian Covered Bonds**

The NBB has admitted the Issuer to the list of credit institutions that are authorised to issue covered bonds on 9 February 2016.

**Belgian Covered Bond Regulations**

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

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

For further information on the Belgian Covered Bond Regulations, see “*Summary of the Belgian Covered Bond Regulations*” below.

**Programme Amount**

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

Agreement.

**Status of the  
Mortgage  
Pandbrieven**

The Mortgage Pandbrieven will be issued as Belgian mortgage pandbrieven (*belgische pandbrieven/lettres de gage belges*) in accordance with the Belgian Covered Bond Regulations and will constitute direct, unconditional and unsubordinated obligations of the Issuer. The Mortgage Pandbrieven will rank (i) *pari passu* without any preference or priority among themselves, irrespective of their Series and (ii) at least *pari passu* with all other present and future outstanding unsecured obligations of the Issuer, save for such obligations as may be preferred by law that are both mandatory and of general assumption. In addition, the Mortgage Pandbrieven will be covered in accordance with the Belgian Covered Bond Regulations by the Special Estate and the Mortgage Pandbrieven Holders and the Other Cover Pool Creditors will have an exclusive recourse right to the Special Estate. Creditors of the Issuer (other than Mortgage Pandbrieven Holders and the Other Cover Pool Creditors) may not exercise any rights against or attach the Special Estate, except and to the extent of assets in respect of which the bankruptcy trustee of the General Estate of the Issuer has determined, after consultation with the NBB (taking into account the Belgian Covered Bond Regulations and, as the case may be, the rating assigned to the Mortgage Pandbrieven), that they are no longer required to form part of the Special Estate (Article 11, 8° of Annex III to the Banking Law).

See also “*Summary of the Belgian Covered Bond Regulations*” below.

**Special Estate**

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

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

General Estate means at any given time the assets of the Issuer that are at such time not comprised in a special estate as envisaged in Article 3 of Annex III to the Banking Law, including, in particular, the Special Estate.

See also “*Summary of the Belgian Covered Bond Regulations – 3. Special Estate*” below.

**Main Asset Class**

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

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

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

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

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

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

**Issuer Undertakings**

The Issuer will undertake in favour of the Mortgage Pandbrieven Holders and the Mortgage Pandbrieven Holders’ Representative (i) to comply with all obligations imposed on it under the Belgian Covered Bond Regulations, (ii) that the Special Estate will mainly consist of Residential Mortgage Loans and will not include (x) RMBS, (y) ABS and (z) mortgage loans other than Residential Mortgage Loans and (iv) to provide an investor report (the **Investor**

**Report**), containing information regarding, amongst others, the Mortgage Pandbrieven and the composition of the Special Estate, on a monthly basis, on the 15<sup>th</sup> Business Day of each calendar month (each an **Investor Report Date**), which will be made available on the website of the Issuer at [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com).

The Issuer also undertakes that the Special Estate will at all times include a number of liquid bonds (i) which have an aggregate market value which, after applying the ECB haircut in accordance with the Guideline of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy (as may be amended, supplemented, replaced and/or restated from time to time), is higher than the amount of interest due and payable on the outstanding Mortgage Pandbrieven within a period of three months meeting the criteria set out in paragraph 7 of the NBB Covered Bonds Regulation and (ii) which (1) are eligible as collateral for Eurosystem monetary policy purposes and intra-day credit operations by the Eurosystem, (2) have a credit quality step 1 as defined in the CRR, (3) are subject to a daily mark-to-market, (4) have a remaining maturity of more than three months, (5) are not debt issued by the Issuer, and (6) are not residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS) or any other asset backed securities (ABS).

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

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

**Cover Register**

The Issuer will maintain a Cover Register in which both the issued Mortgage Pandbrieven and the Cover Assets will be registered.

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

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

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

## Cover Tests

In accordance with Article 2, §2 of Annex III to the Banking Law, the Cover Assets comprising the Special Estate must, for the duration of the Mortgage Pandbrieven, provide sufficient cover (i) for the payment of principal and interest on the Mortgage Pandbrieven, (ii) for the obligations towards the Other Cover Pool Creditors and (iii) for the management of the Special Estate.

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

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

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

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

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



## **Liquidity Test**

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

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

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

## **Management of the Special Estate**

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

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

See also “*Summary of the Belgian Covered Bond Regulations – 3.C Management of the Special Estate*” and “*Summary of the Belgian Covered Bond Regulations – 5 Cover Pool Administrator*” below.

## **Changes to the Special Estate**

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

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

## **Maturity Date**

The maturity date for each Series (the **Maturity Date**) will be specified in the applicable Final Terms as agreed between the Issuer and the relevant Dealer(s). An Extended

Maturity Date shall be specified in the applicable Final Terms as applying to each Series of Mortgage Pandbrieven, unless specified otherwise.

**Extended Maturity Date**

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

In such case, such deferral will occur automatically if the Issuer fails to pay in full within fourteen (14) calendar days after the Maturity Date any amount representing the amount due on the Maturity Date as set out in the Final Terms (the **Final Redemption Amount**) in respect of the relevant Series of Mortgage Pandbrieven, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid (in whole or in part) by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date but will in any event have to be paid in full on the relevant Extended Maturity Date.

Interest will continue to accrue and be payable on any unpaid amounts on each Interest Payment Date up to the Extended Maturity Date (or, if the Mortgage Pandbrieven are redeemed in full prior to such Extended Maturity Date, up to such Interest Payment Date on which the Mortgage Pandbrieven are repaid in whole) in accordance with the provisions of Condition 4.5 (*Interest Payments up to the Extended Maturity Date*) and the Issuer will make payments on each relevant Interest Payment Date and Extended Maturity Date (or, if redeemed earlier in full, on such Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full).

**Events of Default**

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

- (i) on the Maturity Date (in respect of any Series to which an Extended Maturity Date is not applicable) or Extended Maturity Date (in respect of any Series to which an Extended Maturity Date applies in accordance with the applicable Final Terms), a failure to pay any amount of principal due on the Mortgage Pandbrieven on such date and such default is not remedied within a period of fourteen (14) calendar days from the due date thereof; or
- (ii) on any Interest Payment Date, a default in the

payment of the amount of interest due on any Series occurs and such default is not remedied within a period of fourteen (14) calendar days from the due date thereof

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

See also Condition 8.1 (*Events of Default*).

### **Cross-acceleration**

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

### **Liquidation of the Special Estate**

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

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

See also "*Summary of the Belgian Covered Bond Regulations – 3.Special Estate – D. Impact of liquidation*

*and reorganisation procedures” below.*

**Payments on the Mortgage Pandbrieven**

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

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

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

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

**Priority of Payments**

- (i) first, *pari passu* and *pro rata* according to the respective amounts thereof, (a) payment of all amounts then due and payable to the Mortgage Pandbrieven Holders’ Representative (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Mortgage Pandbrieven Holders Representative Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (b) payment of all amounts then due and payable to the Agents and/or the Registrar (if any) under the provisions of the Agency Agreement, any Calculation Agency Agreement or any other Programme Document together with interest and applicable VAT (or other

similar taxes) thereon to the extent provided therein; (c) payment of all amounts then due and payable to the Cover Pool Monitor under the provisions of the Cover Pool Monitor Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (d) upon its appointment in accordance with the Belgian Covered Bond Regulations, payment of all amounts then due to any Cover Pool Administrator (including any of its representatives or delegates) pursuant to the conditions of its appointment together with interest and applicable VAT or other similar taxes and any costs and expenses incurred by or on behalf of the Special Estate; and (e) *pari passu* and *pro rata* according to the respective amounts thereof, in and towards, payment of any amounts, fees, costs, charges, liabilities, expenses and taxes due and payable by the Issuer or the Special Estate to the Operational Creditors;

- (ii) second, *pari passu* and *pro rata* according to the respective amounts thereof, in and towards, (a) payment of all amounts of interest and principal then due and payable on any Mortgage Pandbrieven, (b) payment of any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements, and (c) payment of all amounts due and payable under any Liquidity Facility Agreement to any Liquidity Facility Provider other than any Junior Liquidity Amounts;
- (iii) third, *pari passu* and *pro rata*, according to the respective amounts thereof, in and towards, (a) payment of any amount due and payable to any Hedging Counterparties arising out of any Subordinated Termination Payment, and (b) payment of any Junior Liquidity Amounts due and payable under any Liquidity Facility Agreement to any Liquidity Facility Provider; and
- (iv) fourth, following the payment in full of all items (i) to (iii), in and towards payment of excess to the General Estate of the Issuer.

See Condition 9.1 (*Priority of Payments*).

**Subordinated  
Termination**

Means any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination

**Payment**

Event relating to the credit rating or credit worthiness of the Hedging Counterparty as specified in the schedule to the relevant Hedging Agreement, (b) the bankruptcy of the relevant Hedging Counterparty, or (c) any default and/or failure to perform by such Hedging Counterparty under the relevant Hedging Agreement, other than, in the event of (a) or (b) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

**Junior Liquidity Amount**

Means any amount, including any costs, charges, liabilities and expenses, due and payable to a Liquidity Provider which under the relevant Liquidity Facility Agreement are expressed to rank junior to interest and principal due to Mortgage Pandbrieven Holders and any other party ranking senior in accordance with the Priority of Payments.

**Monitoring**

The Cover Pool Monitor has been appointed to (i) issue periodic reports to the NBB on compliance by the Issuer with the Belgian Covered Bond Regulations, (ii) assume the responsibilities as specified under the Belgian Covered Bond Regulations and the NBB Cover Pool Monitor and (iii) review the Statutory Tests both as provided for in the Belgian Covered Bond Regulations and in accordance with the requirements of the NBB. The NBB can also request that the Cover Pool Monitor performs other tasks and verifications.

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

**Breach of the Statutory Tests**

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

The NBB can also publish warnings/statements indicating

that a credit institution has failed to comply with the NBB's requests to meet the requirements of the Belgian Covered Bond Regulations within a specified grace period. In addition, as part of its general supervisory function under the Banking Law, the NBB can impose fines and administrative penalties.

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

See also “*Summary of the Belgian Covered Bond Regulations – 6. Specific Supervision – B. NBB*” below.

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

**Negative Pledge** None.

**Governing Law** The Agency Agreement and each Calculation Agency Agreement, the Mortgage Pandbrieven Holders Representative Agreement, the Cover Pool Monitor Agreement, the Special Estate Administration Agreement, the Programme Agreement and each Subscription Agreement, and the Clearing Services Agreement, will be governed by, and construed in accordance with, Belgian law.

The Mortgage Pandbrieven subject to the terms and conditions contemplated in this Base Prospectus will be governed by and construed in accordance with Belgian law.

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

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

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

Pandbrieven Holders pursuant to Condition 18 (*Further Issues*).

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

### **Final Terms**

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

### **Form of Mortgage Pandbrieven**

The Mortgage Pandbrieven can be issued (i) in dematerialised form (**Dematerialised Mortgage Pandbrieven**) in accordance with Article 468 et seq. of the Belgian Company Code via a book-entry system maintained in the records of the NBB as operator of the Securities Settlement System or (ii) in registered form (**Registered Mortgage Pandbrieven**) in accordance with Article 462 et seq. of the Belgian Company Code. Dematerialised Mortgage Pandbrieven will be delivered in the form of an inscription on a securities account. The Registered Mortgage Pandbrieven will be registered in a register maintained by the Issuer or by the Registrar in accordance with Article 462 et seq. of the Belgian Company Code. See “*Forms of the Mortgage Pandbrieven*” below.

### **Issue Dates**

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

### **Interest Commencement Dates**

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



<b>Issue Prices</b>		The price (usually calculated as a percentage of the principal amount of Mortgage Pandbrieven to be issued as part of such Series or Tranche) at which a Series or Tranche is to be subscribed for at the Issue Date, as specified in the applicable Final Terms (each, <b>the Issue Price</b> in relation to such Series or Tranche). Mortgage Pandbrieven may be issued at par or at a premium or discount to par as specified in the applicable Final Terms in respect of such Series.
<b>Specified Currency</b>		Subject to compliance with all relevant laws, regulations and directives, Mortgage Pandbrieven may be issued in any currency agreed between the Issuer and the relevant Dealer(s) or investor (as applicable).
<b>Denominations</b>		The Mortgage Pandbrieven will be in such denominations as may be specified in the applicable Final Terms with a minimum specified denomination of EUR 100,000 or its equivalent in any other Specified Currency.
<b>Fixed Mortgage Pandbrieven</b>	<b>Rate</b>	The applicable Final Terms may provide that certain Mortgage Pandbrieven will bear interest at a fixed rate (the <b>Fixed Rate Mortgage Pandbrieven</b> ), which will be payable on each Interest Payment Date and on the applicable redemption date and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>Floating Mortgage Pandbrieven</b>	<b>Rate</b>	<p>The applicable Final Terms may provide that certain Mortgage Pandbrieven bear interest at a floating rate (the <b>Floating Rate Mortgage Pandbrieven</b>). Floating Rate Mortgage Pandbrieven will bear interest at a rate which is the aggregate rate of the rate determined:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(iii) on such other basis as may be agreed between the Issuer and the Dealer(s), and</li> </ul> <p>the margin (if any) relating to such floating rate (the <b>Margin</b>) agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Mortgage Pandbrieven, as set out in the</p>

applicable Final Terms. The Final Terms may, in respect of any Series, specify a Minimum Rate of Interest and/or a Maximum Rate of Interest.

**Zero Coupon Mortgage Pandbrieven**

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

**Interest Payment Dates**

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

**Early Redemption**

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

**GENERAL INFORMATION**

**Proceeds of the issue of Mortgage Pandbrieven**

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

**Taxation**

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

**Ratings**

Each Series issued under the Programme may be assigned a

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

S&P is established in the European Union and is registered for the purposes of the CRA Regulation.

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

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

**Listing  
admission  
trading**            **and  
to**

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

Mortgage Pandbrieven may be listed or admitted to trading, as the case may be, on a regulated market for the purposes of Directive 2004/39/EC, (as amended, replaced or supplemented from time to time, the **Markets in Financial Instruments Directive** or **MiFID**), as may be agreed between the Issuer and the relevant Dealer(s) in relation to each issue. The Final Terms relating to each Tranche of the Mortgage Pandbrieven will state whether or not the Mortgage Pandbrieven are to be listed and/or admitted to trading and, if so, on which regulated markets.

**Delivery  
Mortgage  
Pandbrieven**            **of**

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

**Securities  
Settlement  
Systems**

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

**Selling  
Restrictions**

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

**PROGRAMME DOCUMENTS**

**Cover Pool Monitor  
Agreement**

Under the terms of the cover pool monitor agreement entered into on 12 April 2016 between the Cover Pool Monitor, the Issuer and the Mortgage Pandbrieven Holder’s representative (as modified and/or supplemented and/or restated from time to time, the **Cover Pool Monitor Agreement**), the Cover Pool Monitor has, among other things, agreed (i) to review the Statutory Tests, (ii) to issue periodic reports to the NBB on compliance by the Issuer with the Belgian Covered Bond Regulations and (iii) to assume the responsibilities as specified under the Belgian Covered Bond Regulations and the NBB Cover Pool Monitor Regulation.

**Mortgage  
Pandbrieven  
Holders  
Representative  
Agreement**

Under the terms of the mortgage pandbrieven holders representative agreement (as modified and/or supplemented and/or restated from time to time, the **Mortgage Pandbrieven Holders Representative Agreement**), entered into on 12 April 2016 between the Issuer and the Mortgage Pandbrieven Holders’ Representative, the Mortgage Pandbrieven Holders’ Representative was appointed to act as representative (*vertegenwoordiger/représentant*) of the Mortgage Pandbrieven Holders in accordance with the Belgian Covered Bond Regulations and the Conditions.

**Agency Agreement**

Under the terms of an agency agreement to be entered into on or about 16 September 2016 between, amongst others, the Issuer and BNP Paribas Fortis SA/NV as Domiciliary Agent, Principal Paying Agent, Paying Agent, Registrar, Listing Agent and Calculation Agent and the Mortgage Pandbrieven Holders’ Representative (the **Agency Agreement**), BNP

Paribas Fortis SA/NV will respectively act as Domiciliary Agent, Principal Paying Agent, Paying Agent, Registrar, Listing Agent and Calculation Agent in relation to the Mortgage Pandbrieven. The Agency Agreement will also provide for the appointment of a Registrar in respect of any Registered Mortgage Pandbrieven issued from time to time.

**Calculation Agency Agreement**

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

**Clearing Services Agreement**

The Issuer, the Domiciliary Agent and the NBB as operator of the Securities Settlement System will enter into a clearing services agreement on or about 16 September 2016 in relation to the clearing of the Mortgage Pandbrieven (as amended from time to time, the **Clearing Services Agreement**).

**Programme Agreement**

The programme agreement to be entered into on or about 16 September 2016 between, amongst others, the Issuer, the Arrangers and BNP Paribas Fortis SA/NV and BNP Paribas as the initial dealers (as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) will set out the terms under which Mortgage Pandbrieven may from time to time be agreed to be issued, including the appointment and resignation of Dealers.

**Subscription Agreement**

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

**Hedging Agreements**

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

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

**Liquidity Facility  
Agreements**

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

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

**Special Estate  
Administration  
Agreement**

Under the terms of a special estate administration agreement entered into between the Issuer, the Mortgage Pandbrieven Holders' Representative and the Cover Pool Monitor (such special estate administration agreement as modified and/or supplemented and/or restated from time to time, the **Special Estate Administration Agreement**) all Mortgage Pandbrieven issued under the Programme (including (without limitation) N Bonds) shall be subject to and have the benefit of certain common terms regardless of whether the Mortgage Pandbrieven are issued under the Base Prospectus or not.

**Programme  
Documents**

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

**Investor Report**

Each Investor Report will be made available on each Investor Report Date to the prospective investors in the Mortgage Pandbrieven and to the Mortgage Pandbrieven Holders at the offices of the Issuer, the specified offices of the Domiciliary Agent, on Bloomberg and on the Issuer's website ([www.bnpparibasfortis.com](http://www.bnpparibasfortis.com)).

**N BONDS**

N Bonds are typically issued to certain German institutional investors and contain certain specific provisions which may differ from some of the terms and conditions that apply to the Mortgage Pandbrieven issued under this Base Prospectus. For instance, N Bonds may be governed by German law.

Moreover, they are usually not listed. Accordingly, a prospectus is usually not required for their offering and the form of the terms applicable thereto will, at the relevant time of issuance, be annexed to the Programme Agreement.

## SECTION 2 - RISK FACTORS

### Introduction

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

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

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

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



## **1. Risk factors relating to the Issuer and its Operations**

### **Difficult market and economic conditions could in the future have a material adverse effect on the operating environment for financial institutions and hence on the Issuer's financial condition, results of operations and cost of risk.**

As part of a global financial institution, the Issuer's businesses can be highly sensitive to changes in the financial markets and economic conditions generally in Europe (especially in Belgium and Luxembourg). In recent years, the Issuer has been, and may again in the future be confronted with a significant deterioration of market and economic conditions resulting, among other things, from crises affecting sovereign debt, the capital markets, credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, volatility in prices of financial derivatives, inflation or deflation, corporate or sovereign debt rating downgrades, restructurings or defaults, or adverse political and geopolitical events (such as natural disasters, pandemics, societal unrest, geopolitical tensions, acts of terrorism and military conflicts). Such disruptions, which may develop quickly and hence not be fully hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Issuer's financial condition, results of operations or cost of risk. In 2016, the macroeconomic environment could be subject to various specific risks, including geopolitical tensions, financial market volatility, slowdowns in China and emerging markets, weak growth in the Euro-zone, decreasing prices of commodities and the gradual unwinding of exceptionally accommodating monetary policies in the United States. Measures taken or that may be taken by central banks to stimulate growth and prevent deflation, including the "quantitative easing" measures announced by the European Central Bank (the **ECB**) in January and December 2015, may prove to be insufficient or could have negative effects on the banking industry possibly bringing margin pressure but not necessarily lending volume growth.

Moreover, a resurgence of a sovereign debt crisis cannot be ruled out. In particular, European markets have experienced significant disruptions in recent years as a result of concerns regarding the ability of certain countries in the euro zone to refinance their debt obligations. At several points in recent years these disruptions caused tightened credit markets, increased volatility in the exchange rate of the euro against other major currencies, affected the levels of stock market indices and created uncertainty regarding the economic prospects of certain countries in the European Union as well as the quality of bank loans to sovereign debtors in the European Union.

The Issuer holds and in the future may hold substantial portfolios of sovereign debt and has and may in the future have substantial amounts of loans outstanding to sovereign borrowers ; a new sovereign debt crisis could cause it to incur impairment charges or losses on sales. The Issuer is also active in the interbank financial market and as a result, is indirectly exposed to risks relating to financial institutions with which it does business. More generally, the sovereign debt crisis has had, and may could again in the future have, an indirect impact on financial markets and, increasingly, economies, in Europe and worldwide, and more generally on the environment in which the Issuer operates.

If economic conditions in Europe or in other parts of the world were to deteriorate due among other things to concerns over the European economy (in turn triggered by the heightened risk of or even the occurrence of a sovereign default, the failure of a significant financial institution or the exit of a country from the euro zone), a continued decline in oil and commodity prices, a continued or increased slowdown of economic growth in emerging countries and China in particular, terrorist attacks or political instability, the resulting market and political disruptions could have a significant adverse impact on the credit quality of the Issuer's customers and financial institution counterparties, on market parameters such as interest rates, foreign exchange rates and stock market indices, and on

the Issuer's results of operations, liquidity, ability to raise financing on acceptable terms and financial condition.

**Legislative action and regulatory measures taken in response to the global financial crisis may materially impact the Issuer and the financial and economic environment in which it operates**

*General*

In the past few years, laws and regulations recently have been enacted, adopted or proposed in particular in Europe and the United States, with a view to introduce a number of changes, some permanent, in the financial environment. The impact of the new measures has changed substantially the environment in which the Issuer and other financial institutions operate. The new measures that have been or may be proposed and adopted include more stringent capital and liquidity requirements (particularly for large global banking groups such as BNP Paribas Group), taxes on financial transactions, restrictions and increased taxes on employee compensation over specified levels, restrictions on certain types of activities considered as speculative undertaken by commercial banks that will be prohibited or need to be ring-fenced in subsidiaries (particularly proprietary trading), restrictions or prohibitions on certain types of financial products or activities, enhanced recovery and resolution regimes, revised risk-weighting methodologies, increased internal control and reporting requirements with respect to certain activities, more stringent governance and conduct of business rules, more extensive market abuse regulations, measures to improve the transparency and efficiency of financial markets and in particular to regulate high frequency trading, increased regulation of certain types of financial products including mandatory reporting of derivative and securities financing transactions, requirements either to mandatorily clear, or otherwise mitigate risks in relation to, over-the-counter derivative transactions (including through posting of collateral in respect of non-centrally cleared derivatives), and the creation of new and strengthened regulatory bodies. Many of these measures have been adopted and are already applicable to the Issuer. The principal measures are summarized below.

At the European level, many of the provisions of the Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the **Capital Requirements Directive IV**) and the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (the **Capital Requirements Regulation** and together with the Capital Requirements Directive IV, **CRD IV**), implementing the Basel III capital requirements, took effect as of 1 January 2014 and many delegated and implementing acts provided for in the CRD IV were adopted in 2014. The prudential ratio requirements and the designation of the Issuer as a systemically important financial institution increased the Issuer's prudential requirements and may limit its ability to extend credit or to hold certain assets, particularly those with longer maturities. In 2011-2012, the Issuer implemented an adaptation plan in anticipation of these requirements, including reducing its balance sheet and bolstering its capital. In addition, the Financial Stability Board published on 9 November 2015 the final principles and term sheet regarding "total loss absorbing capacity" (**TLAC**), which will require "Global Systemically Important Banks" (including the Issuer) to maintain a significant amount of liabilities and instruments readily available for bail-in, in addition to the Basel III capital requirements, in order to enable authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss. Given the timing and manner of their adoption, the full impact of TLAC requirements on the Issuer cannot be accurately predicted and could cause its financing costs to increase.

Regarding the European "Banking Union", the European Union adopted, in October 2013, a Single Supervisory Mechanism (**SSM**) under the supervision of the ECB; as a consequence, since November 2014, the Issuer, along with all institutions qualified as important in the euro zone, are now under the

direct supervision of the ECB, with respect to prudential regulation matters entrusted to the ECB by Council Regulation dated 15 October 2013. Within the SSM, the ECB is, in particular, tasked with carrying out an annual supervisory review and evaluation process (**SREP**) and stress tests, in connection with which it has powers to require banks to hold capital requirements in excess of minimum capital requirements in order to address specific risks (so-called "Pillar 2" requirements), and more generally to impose additional liquidity requirements and possibly other regulatory measures. Such measures could have an adverse impact on the Issuer's results of operations and financial condition.

In addition to the SSM, the Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (**BRRD**), implemented in Belgium by the Belgian Law on the legal status and supervision of credit institutions of 25 April 2014 (*Wet op het statuut van en het toezicht op kredietinstellingen / Loi relative au statut et au contrôle des établissements de crédit*) (the **Banking Law**), the Royal Decree of 18 December 2015 and the Royal Decree of 26 December 2015 amending the Banking Law, strengthens the tools to prevent and resolve banking crises, in particular, in order to ensure that any losses are borne in priority by banks' creditors and shareholders and to minimize taxpayers' exposure to losses and provides for the implementation of resolution funds at the national levels. Under the BRRD and the Banking Law, the National Resolution Authority (as defined hereafter) or the Single Resolution Board (the **SRB**), which was established by Regulation 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 (**SRM**) and a Single Resolution Fund (**SRF**), may commence resolution proceedings in respect of a banking institution, such as the Issuer, with a view to ensure the continuity of critical functions, to avoid the risks of contagion and to recapitalize or restore the viability of the institution. Resolution tools are to be implemented so that, subject to certain exceptions, losses are borne first by shareholders, then by holders of capital instruments (such as subordinated bonds) qualifying as additional tier 1 and tier 2 instruments, and finally by creditors in accordance with the order of their claims in normal insolvency proceedings. Certain powers, including the power to write-down capital instruments (including subordinated bonds), can also be exercised as a precautionary measure, outside of resolution proceedings. The implementation of these tools and powers may result in significant structural changes to the relevant financial institutions (including as a result of asset or business sales or the creation of bridge institutions) and in a partial or total write-down of claims of their shareholders and creditors (including subordinated and senior creditors). Article 44 (2) of the BRRD explicitly provides that covered bonds (such as the Mortgage Pandbrieven) and other secured liabilities of a credit institutions will not be subject to the bail-in powers, i.e., the write down or conversion powers of resolutions authorities.

Pursuant to the SRM, on 19 December 2014, the Council adopted the proposal for a Council implementing act to calculate the contributions of banks to the SRF, which replaces national resolution funds as from 1 January 2016 and provides for annual contributions to the SRF to be made by banks calculated on the basis of their liabilities, excluding own funds and covered deposits and adjusted for risks. Moreover, the Regulation of the European Commission dated 21 October 2014, adopted pursuant to the BRRD provides for an obligation for banks to have adequate financial resources to ensure the effective application of the resolution tools and powers by the relevant resolution authority. In this context, the resolution authorities, such as the National Resolution Authority or the SRB, shall determine the annual contributions to be paid to resolution financing arrangements by each banking institution in proportion to its risk profile. As a consequence, contributions to the SRF and to resolution financing arrangements will be significant for the Issuer, will result in an increase in fees and will, as a consequence, weigh on the Issuer's results of operations.

Moreover, the Directive of 16 April 2014 on deposit guarantee schemes, transposed into Belgian law by the Banking Law created national deposit guarantee schemes. Other proposals for legislative and regulatory reforms could also have an impact if they were enacted into law. Thus, a draft European Parliament Regulation dated 24 November 2015 completed such Directive of 16 April 2014 through a step plan to create a European deposit insurance scheme that will progressively cover all or part of participating national deposit guarantee schemes.

Furthermore, a proposal for a Regulation of the European Parliament and of the Council of 29 January 2014 on structural measures improving the resilience of EU credit institutions, as amended on 19 June 2015, would prohibit certain proprietary trading activities by European credit institutions that meet certain criteria (particularly as to size) and require them to conduct certain high-risk trading activities only through subsidiaries.

Finally, new regulations designed to enhance the transparency and soundness of financial markets, such as the so-called "EMIR" Regulation of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and the measures adopted or to be adopted thereunder (including in relation to collateral requirements for non-centrally cleared derivatives), Regulation of 25 November 2015 on transparency of securities financing transactions and Directive and Regulation of 15 May 2014 on markets in financial instruments (**MiFID 2**) may be a source of additional uncertainty and compliance risk and, more generally, the costs incurred due to the implementation of such regulations may have a negative impact on the profitability of certain activities currently conducted by the Issuer and weigh on the Issuer's results of operations and financial condition.

Bank regulation in the United States has been substantially changed and expanded in the wake of the financial crisis, including most recently as follows. On October 30, 2015, the Board of Governors of the Federal Reserve System (the **Federal Reserve Board**) issued its own proposal to impose TLAC requirements on U.S. intermediate holding companies owned by the largest, most systemically important foreign banking organizations (such as BNP Paribas). The Federal Reserve Board's final rule imposing enhanced prudential standards on the U.S. operations of large foreign banks required BNP Paribas to designate or create an intermediate holding company (**IHC**) for its U.S. subsidiaries by July 1, 2016. BNPP's IHC, BNP Paribas USA, Inc., must comply with risk-based and leverage capital requirements, liquidity requirements, supervisory stress testing and capital planning requirements as well as other prudential requirements on a stand-alone basis. In addition, on March 4, 2016, the Federal Reserve Board re-proposed single counterparty credit limits that would apply to both the U.S. IHCs and the combined U.S. operations (including U.S. branch operations) of systemically important foreign banking organizations (such as BNP Paribas). Under proposals that remain under consideration, the IHC and the combined U.S. operations of BNP Paribas may become subject to limits on credit exposures to any single counterparty, and the combined U.S. operations of BNP Paribas may also become subject to an early remediation regime which could be triggered by risk-based capital, leverage, stress tests, liquidity, risk management and market indicators. The Federal Reserve Board has also indicated that it is considering future rulemakings that could apply the U.S. rules implementing the Basel III liquidity coverage ratio and net stable funding ratio to the combined U.S. operations (including U.S. branch operations) of certain large foreign banking organizations. On October 30, 2015, the Federal Reserve Board proposed rules that would implement in the United States the Financial Stability Board's standards for a TLAC framework. The proposed rules would require, among other things, BNP Paribas's intermediate U.S. holding company to maintain minimum amounts of "internal" TLAC, which would include minimum levels of tier 1 capital and long-term debt satisfying certain eligibility criteria and a related TLAC buffer commencing January 1, 2019. BNP Paribas's intermediate U.S. holding company would be required to issue all such TLAC instruments to a foreign parent entity (a non-U.S. entity that controls the intermediate holding company). The proposed rules would also impose limitations on the types of financial transactions that BNP Paribas's intermediate holding company could engage in. Finally, the "Volcker Rule", adopted by the U.S. regulatory authorities in December 2013, places certain

restrictions on the ability of U.S. and non-U.S. banking entities, including BNP Paribas and its affiliates, to engage in proprietary trading and to sponsor or invest in private equity and hedge funds. BNP Paribas was generally required to come into compliance with the Volcker Rule by July 2015, although the Federal Reserve Board has extended the conformance deadline for pre-2014 “legacy” investments in and relationships with private equity funds and hedge funds until July 21, 2017. The Volcker Rule’s implementing regulations are highly complex and may be subject to further regulatory interpretation and guidance, and its full impact will not be known with certainty for some time. U.S. regulators have also recently adopted or proposed new rules regulating OTC derivatives activities under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In late 2015, the Federal Reserve Board and other U.S. banking regulators finalized margin requirements applicable to uncleared swaps and security-based swaps entered into by swap dealers, major swap participants, security-based swap dealers and major security-based swap participants that are regulated by one of the U.S. banking regulators, including BNP Paribas. These margin requirements, which came into effect for certain counterparties on September 1, 2016, and which are scheduled to continue to come into effect in further phases beginning in September 2016, will require BNP Paribas to post and collect additional, high-quality collateral for certain transactions, which will increase the costs of uncleared swaps and security-based swaps offered by BNP Paribas to its customers who are “U.S. persons” as defined under the rules which apply globally. The U.S. Securities and Exchange Commission also finalized rules in 2015 and early 2016 regarding the registration of security-based swap dealers and major security-based swap participants and business conduct requirements for such entities, as well as obligations relating to transparency and mandatory reporting of security-based swap transactions. Further rules and regulations are expected in 2016 to complete this regulatory framework. The scope and timing for the implementation of these requirements, and therefore their impact on BNP Paribas’s swap business, is difficult to predict at this stage.

In sum, extensive legislative and regulatory reform in respect of financial institutions has been enacted in recent years and some remains in progress. It is impossible to accurately predict which additional measures will be adopted or to determine the exact content of such measures and, given the complexity and uncertainty of a number of these measures, their ultimate impact on the Issuer. The overall effect of these measures, whether already adopted or in the process of being adopted, may be to restrict the Issuer’s ability to allocate and apply capital and funding resources, limit its ability to diversify risk, reduce the availability of certain funding and liquidity resources, increase its funding costs, increase the cost for or reduce the demand for the products and services it offers, result in the obligation to carry out internal reorganizations, structural changes or divestitures, affect its ability to conduct (or impose limitations on) certain types of business as currently conducted, limit its ability to attract and retain talent, and, more generally, affect its competitiveness and profitability, which would in turn have an adverse effect on its business, financial condition, and results of operations.

#### *New Banking Law*

The banking regime in Belgium is governed by the Banking Law of 25 April 2014. The Banking Law replaced the Act on the legal status and supervision of credit institutions of 22 March 1993 and its subsequent modifications. The Banking Law sets forth the conditions under which the Issuer may operate in Belgium and defines the regulatory and supervisory powers of the Supervisor. The Banking Law aims to reinforce the financial solidity of Belgian credit institutions by way of, inter alia, strengthening own funds, imposing stricter liquidity requirements and limits on distributions. As mentioned above, the Banking Law largely follows the evolution of European legislation. It implements, among other things, the Capital Requirements Directive IV and, where applicable, the Capital Requirements Regulation. The Capital Requirements Regulation was directly applicable as from 1 January 2014, subject to further implementation and phased introduction of certain provisions, set out therein. The Banking Law also introduced a dual governance structure at management level, specialised committees within the board (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including

limits on the amount of compensation, the form and timing for vesting and payment of variable remuneration, as well as reduction and claw-back mechanics). The Banking Law further introduced a prohibition in principle of proprietary trading. The prohibition applies to the Issuer as from 1 January 2015. However, some proprietary trading activities are excluded from the prohibition. Permitted proprietary trading activities (including market-making, hedging, treasury management and long-term investments) are capped, and these types of activities must comply with strict requirements on reporting, internal governance, and risk-management.

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

It should be noted that (i) certain elements of the Banking Law require further detailed measures to be taken by other authorities, in particular the NBB, (ii) certain elements of the 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 Banking Law may be influenced by the recent assumption by the ECB of certain supervisory responsibilities which were previously handled by the NBB and, in general, by the allocation of responsibilities between the European Central Bank and the NBB under the SSM.

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 Banking Law are still in draft form, or subject to political discussion, at the European level. Whilst the Banking Law contains powers to allow the government to conform the 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 Banking Law.

#### *Recovery and resolution regime*

The stated 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 NBB, or any successor body or authority (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. The BRRD was further complemented by the SRM entered into force on 19 August 2014. From that moment, a centralised power of resolution has been established and entrusted to the SRB. The SRB is operational as from 1 January 2016 and works in close cooperation with the NRAs.

BRRD had been transposed into Belgian law as from 3 March 2015. Under the Belgian bank recovery and resolution regime, the supervisory authorities and NRAs (which includes the National Resolution Authority) 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; the limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; the replacement of the institution's directors or managers; the revocation of the institution's licence; and the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional Tier 1 capital instruments.

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

The Banking Law allows the National Resolution Authority to take resolution actions. Such powers include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a “bridge institution” (an entity created for that purpose which is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down. As indicated above, under the Banking Law, the powers of the supervisory and NRAs are significantly expanded. Implementation by the supervisory and/or NRAs of any of their powers of intervention could have an adverse effect on the interests of the Mortgage Pambrieven Holders.

#### *The Financial Stability Board (FSB)*

In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in a number of jurisdictions in which the Issuer conducts business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, and the potential impact of such changes on the Issuer’s business, results of operation and financial condition remains unclear.

#### *Additional Governmental Measures*

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

As from 1 January 2012, the Issuer is subject to a bank levy (“financial stability contribution” as introduced by the law of 28 December 2011). This contribution is a levy by the NBB to help guarantee the stability of the financial system. The levy, calculated on the total liabilities in the balance sheet, excluding core capital and deposits, is 0.035%. This levy results in increased taxes on the Issuer’s operations, which could negatively impact its operations, financial condition and liquidity.

Any regulations resulting from these financial transaction tax initiatives could affect the Issuer’s operational results, financial condition and liquidity, and could negatively impact the costs and scope of its transactions, including transactions with other financial institutions.

#### **The Issuer’s access to and cost of funding could be adversely affected by a ratings downgrade.**

The financial crisis, the Euro-zone sovereign debt crisis as well as the general macroeconomic environment adversely affected the availability and cost of funding for European banks during the

past few years. This was due to several factors, including a sharp increase in the perception of bank credit risk due to their exposure to sovereign debt in particular, credit rating downgrades of sovereigns and of banks, and debt market speculation. Many European banks, including the Issuer, experienced restricted access to wholesale debt markets and to the interbank market, as well as a general increase in their cost of funding. Accordingly, reliance on direct borrowing from the European Central Bank increased substantially. Were such adverse credit market conditions to persist for an extended period or worsen due to factors relating to the economy or the financial industry in general or to the Issuer in particular (such as ratings downgrades), the effect on the liquidity of the European financial sector in general and the Issuer in particular could be materially adverse and have a negative impact on the Issuer's results of operations and financial condition.

The Issuer's cost of funding may also be influenced by the credit rating on its long-term debt. Any downgrade in the credit ratings by any of the three principal rating agencies may increase the Issuer's borrowing costs.

The Issuer's cost of obtaining long-term unsecured funding from market investors is also directly related to its credit spreads, which in turn depend to a certain extent on its credit ratings. Increases in credit spreads can significantly increase the Issuer's cost of funding. Changes in credit spreads are continuous, market-driven, and subject at times to unpredictable and highly volatile movements. Credit spreads are also influenced by market perceptions of creditworthiness of the Issuer.

### **Risks related to the implementation of BNP Paribas group's strategic plans**

BNP Paribas group has announced a certain number of strategic objectives, in particular in a strategic plan for the 2014-2016 period presented in March 2014 and a transformation plan for BNP Paribas Fortis Corporate & Institutional Banking (CIB) for the 2016-2019 period presented in February 2016. These plans contemplate a number of initiatives, including simplifying BNP Paribas group's organisation and operations, continuing to improve operating efficiency, adapting certain businesses to their economic, regulatory and technological environment and implementing various business development initiatives.

The plans include a number of financial targets and objectives relating to net banking income, operating costs, net income, capital adequacy ratios and return on equity, among other things. These financial targets and objectives were established primarily for purposes of internal planning and allocation of resources, and are based on a number of assumptions with regard to business and economic conditions. On 5 February 2015 and 5 February 2016, BNP Paribas provided updates regarding the implementation of the 2014-2016 strategic plan and presented the transformation plan of CIB 2016-2019 on 5 February 2016.

### **A substantial increase in new provisions or a shortfall in the level of previously recorded provisions could adversely affect the Issuer's results of operations and financial condition.**

In connection with its lending activities, the Issuer regularly establishes provisions for loan losses, which are recorded in its profit and loss account under "cost of risk". The Issuer's overall level of provisions is based on its assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although the Issuer seeks to establish an appropriate level of provisions, its lending businesses may have to increase their provisions for loan losses substantially in the future as a result of deteriorating economic conditions or other causes. Any significant increase in provisions for loan losses or a significant change in the Issuer's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the related provisions, could have a material adverse effect on the Issuer's results of operations and financial condition.



The Issuer also establishes provisions for contingencies and charges including in particular provisions for litigations. Any loss arising from a risk that has not already been provisioned or that is greater than the amount of the provision would have a negative impact on the Issuer's results of operation and, potentially, its financial condition.

**The Issuer may incur significant losses on its trading and investment activities due to market fluctuations and volatility.**

The Issuer maintains trading and investment positions in the debt and currency markets, and in private equity, property and other assets, including through derivative contracts. These positions could be adversely affected by volatility in financial and other markets, i.e. the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. The capital and credit markets have been experiencing unprecedented volatility and disruption since mid-2007 and particularly since the bankruptcy filing of Lehman Brothers in mid-September 2008. As a result the Issuer incurred significant losses on its trading and investment activities. There can be no assurance that this extreme volatility and market disruption will not re-occur in the future but the Issuer has taken action, where possible, to decrease the trading exposure and to decrease the size of the potential losses on its trading activities as a result. Volatility trends (or other trends in parameters that are sensitive to market fluctuations such as correlations) that prove substantially different from the Issuer's expectations may lead to losses relating to a broad range of other trading and hedging products the Issuer uses, including swaps, forwards and futures, options and structured products.

To the extent that the Issuer owns assets, or has net long positions, in any of those markets, a market downturn could result in losses from a decline in the value of its ALM positions. Conversely, to the extent that the Issuer has sold assets that it does not own or has net short positions in any of those markets, a market upturn could, in spite of the existing limitation of risks and control systems, expose it to potentially substantial losses as it attempts to cover its net short positions by acquiring assets in a rising market. The Issuer may from time to time hold a long position in one asset and a short position in another in the framework of hedging transactions with clients and/or in order to benefit from the gain based on changes in the relative value of the two assets. If, however, the relative value of the two assets changes in a direction or manner that the Issuer did not anticipate or against which it is not hedged, the Issuer might realise a loss on those paired positions. Such losses, if significant, could adversely affect the Issuer's results and financial condition.

**The Issuer may generate lower revenues from brokerage and other commission and fee-based businesses during market downturns.**

Financial and economic conditions affect the number and size of transactions for which the Issuer provides securities underwriting, financial advisory and other investment banking services. The Issuer's revenues, which include fees from these services, are directly related to the number and size of the transactions in which it participates and can thus be significantly affected by economic or financial changes that are unfavourable to its Investment Banking business and clients. In addition, because the fees that the Issuer charges for managing its clients' portfolios are in many cases based on the value or on the performance of those portfolios, a market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues the Issuer receives from its asset management, equity derivatives and private banking businesses. Even in the absence of a market downturn, below-market performance by the Issuer's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenues the Issuer receives from its asset management business and could have an impact on the goodwill account of group entities such as BNP Paribas Investment Partners.

During recent market downturns in the last couple of years, the Issuer experienced all of these effects and a corresponding decrease in revenues in the relevant business lines. There can be no assurance

that the Issuer will not experience similar trends in future market downturns, which may occur periodically and unexpectedly.

**Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and possibly leading to material losses.**

In some of the Issuer's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This is particularly true for assets that are intrinsically illiquid. Assets that are not traded on stock exchanges or other public trading markets, such as certain derivative contracts between financial institutions, may have values that the Issuer calculates using models rather than publicly-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to unanticipated losses.

**The Issuer is subject to extensive and evolving regulatory regimes in the countries and regions in which it operates.**

The Issuer is exposed to regulatory compliance risk, such as the inability to comply fully with the laws, regulations, codes of conduct, professional norms or recommendations applicable to the financial services industry. This risk is exacerbated by the adoption by different countries of multiple and occasionally diverging and even conflicting legal or regulatory requirements. Besides damage to the Issuer's reputation and private rights of action, non-compliance could lead to significant legal proceedings, fines and expenses, public reprimand, enforced suspension of operations or, in extreme cases, withdrawal of operating licenses. This risk is further exacerbated by continuously increasing regulatory oversight. This is the case in particular with respect to money laundering, the financing of terrorist activities or transactions with countries that are subject to economic sanctions.

The Issuer is exposed to the risk of legislative or regulatory changes in all of the countries in which it operates, including, but not limited to, the following:

- (a) monetary, liquidity, interest rate and other policies of central banks and regulatory authorities;
- (b) general changes in government or regulatory policy that may significantly influence investor decisions, in particular in the markets in which the Issuer operates;
- (c) general changes in regulatory requirements applicable to the financial industry, such as rules relating to applicable capital adequacy and liquidity frameworks;
- (d) general changes in securities regulations, including financial reporting and market abuse regulations;
- (e) general changes in the regulation of market infrastructures, such as trading venues, central counterparties, central securities depositories, and payment and settlement systems;
- (f) changes in tax legislation or the application thereof;
- (g) changes in accounting norms;
- (h) changes in rules and procedures relating to internal controls; and
- (i) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

These changes, the scope and implications of which are highly unpredictable, could substantially affect the Issuer, and have an adverse effect on its business, financial condition and results of operations. Some reforms not aimed specifically at financial institutions, such as measures relating to the funds industry or promoting technological innovation (such as open data projects), could facilitate the entry of new players in the financial services sector or otherwise affect the Issuer's business model, competitiveness and profitability, which could in turn affect its financial condition and results of operations.

The Issuer may incur substantial fines and other administrative and criminal penalties for non-compliance with applicable laws and regulations, and may also incur losses in related (or unrelated) litigation with private parties

**Significant interest rate changes could adversely affect the Issuer's revenues or profitability.**

The amount of net interest income earned by the Issuer during any given period significantly affects its overall net banking income and profitability for that period. Interest rates are sensitive to many factors beyond the Issuer's control, such as the level of inflation and the monetary policies of states, and government decisions relating to regulated savings rates. Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. Any adverse change in the yield curve could cause a decline in the Issuer's net interest income from its lending activities. In addition, maturity mismatches and increases in the interest rates relating to the Issuer's short-term financing may adversely affect the Issuer's profitability.

**The prolonged low interest rate environment carries inherent systemic risks**

The prolonged period of low interest rates since the 2008/2009 financial crisis may have contributed to, and may continue to contribute to, excessive risk-taking by financial market participants such as lengthening maturities of financings and assets held, more lenient lending standards and increased leveraged lending. Certain of the market participants that may have taken or may take additional or excessive risk are of systemic importance, and any unwinding of their positions during periods of market turbulence or stress (and hence reduced liquidity) could have a destabilizing effect on markets and could lead the Issuer to record operating losses or asset impairments.

**The soundness and conduct of other financial institutions and market participants could adversely affect the Issuer.**

The Issuer's ability to engage in funding, investment and derivative transactions could be adversely affected by the soundness of other financial institutions or market participants. Financial services institutions are interrelated as a result of trading, clearing, counterparty, funding or other relationships. As a result, defaults, or even rumours or questions about, one or more financial services institutions, or the financial services industry generally, may lead to market-wide liquidity problems and could lead to further losses or defaults. The Issuer has exposure to many counterparties in the financial industry, directly and indirectly, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients, with which it regularly executes transactions. The Issuer can also be exposed to the risks related to the increasing involvement in the financial sector of players subject to little or no regulations (unregulated funds, trading venues or crowdfunding platforms). The Issuer is exposed to credit and counterparty risk in the event of default or financial distress of the Issuer's counterparties or clients. In addition, the Issuer's credit risk may be exacerbated when the collateral held by it cannot be realised upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to the Issuer or in case of a failure of a significant financial market participant such as a central counterparty. It is worth noting in this respect that regulatory changes requiring mandatory clearing of standardized over-the-counter (OTC)

derivatives through central counterparties have resulted in an increase of the exposure of financial market participants to such central counterparties.

In addition, fraud or misconduct by financial market participants can have a material adverse effect on financial institutions due to the interrelated nature of the financial markets. An example is the fraud perpetrated by Bernard Madoff, as a result of which numerous financial institutions globally have announced losses or exposure to losses in substantial amounts.

There can be no assurance that any losses resulting from the risks summarised above will not materially and adversely affect the Issuer's results of operations.

**The Issuer's competitive position could be harmed if its reputation is damaged.**

In the highly competitive environment arising from globalisation and convergence in the financial services industry, a reputation for financial strength and integrity is critical to the Issuer's ability to attract and retain customers. The Issuer's reputation could be harmed if it fails to adequately promote and market its products and services. The Issuer's reputation could also be damaged if, as it increases its client base and the scale of its businesses, the Issuer's comprehensive procedures and controls dealing with conflicts of interest fail, or appear to fail, to address conflicts of interest properly. At the same time, the Issuer's reputation could be damaged also by other compliance risks, including but not limited to, employee misconduct, misconduct or fraud by market participants or funds to which the Issuer is exposed, a decline in, a restatement of, or corrections to its financial results, as well as any adverse legal or regulatory action. Such risks to reputation have recently increased as a result of the growing use of social networks within the economic sphere. The loss of business that could result from damage to the Issuer's reputation could have an adverse effect on its results of operations and financial position.

**An interruption in or a breach of the Issuer's information systems may result in material losses of client or customer information, damage to the Issuer's reputation and lead to financial losses.**

As with most other banks, the Issuer relies heavily on communications and information systems to conduct its business. This dependency has increased with the spread of mobile and online banking services (as illustrated by the launch of Hello bank! in 2014), and the development of cloud computing. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Issuer's customer relationship management, general ledger, deposit, servicing and/or loan organisation systems. The Issuer cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. An increasing number of companies (including financial institutions) have in recent years experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. Because the techniques used to obtain unauthorised access, disable or degrade service, steal confidential data or sabotage information systems have become more sophisticated, change frequently and often are not recognised until launched against a target, the Issuer may be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures. In spite of the existing control systems, the Issuer cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions in the Issuer's information systems and any subsequent disclosure of confidential information related to any client, counterpart or employee of the Issuer (or any other person) or any intrusion or attack against the Issuer's communication system could have an adverse effect on the Issuer's reputation, financial condition and results of operations.

**Unforeseen external events can interrupt the Issuer's operations and cause substantial losses and additional costs.**

Unforeseen events such as an adverse change in the political, military or diplomatic environments, political and social unrest, severe natural disasters, terrorist attacks, military conflicts or other states of emergency could affect the demand for the products and services offered by the Issuer, or lead to an abrupt interruption of the Issuer's operations and, to the extent not covered by insurance, could cause substantial losses that may not necessarily be covered by an insurance policy. Such losses can relate to property, financial assets, trading positions and key employees. Such unforeseen events could also lead to temporary or longer-term business interruption, additional costs (such as relocation of employees affected) and increase the Issuer's costs (particularly insurance premiums).

**Notwithstanding the Issuer's risk management policies, procedures and methods, it could still be exposed to unidentified or unanticipated risks, which could lead to material losses.**

The Issuer has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Issuer risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic and market environments or against all types of risk, particularly risks that the Issuer may have failed to identify or anticipate. The Issuer's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if, as a result of market turmoil such as that experienced in recent years, the models and approaches it uses become less predictive of future behaviour, valuations, assumptions or estimates. Some of the Issuer's qualitative tools and metrics for managing risk are based on its use of observed historical market behaviour. The Issuer applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. The process used to estimate losses inherent in its credit exposure or estimate the value of certain assets requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans or impact the value of assets, which may, during periods of market disruption, be incapable of accurate estimation and, in turn, impact the reliability of the process. These tools and metrics may fail to predict future risk exposures, e.g. if the Issuer does not anticipate or correctly evaluate certain factors in its statistical models, or upon the occurrence of an event deemed extremely unlikely by the tools and metrics. This would limit the Issuer's ability to manage its risks. The Issuer's losses could therefore be significantly greater than the historical measures indicate. In addition, the Issuer quantified modelling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

**The Issuer's hedging strategies may not prevent losses.**

If any of the variety of instruments and strategies that the Issuer uses to hedge its exposure to various types of risk in its businesses is not effective, the Issuer may incur losses. Many of its strategies are based on historical trading patterns and correlations. For example, if the Issuer holds a long position in an asset, it may hedge that position by taking a short position in another asset where the short position has historically moved in a direction that would offset a change in the value of the long position.

However, the hedging strategies may not protect against all future risks or may not be fully effective in mitigating the Issuer's risk exposure in all market environments or against all types of risk in the future. Unexpected market developments may also reduce the effectiveness of the Issuer's hedging strategies. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in the Issuer's reported earnings.

**Intense competition in the financial services industry could adversely affect the Issuer's revenues and profitability.**

There is substantial competition in Belgium, Luxembourg and the other regions in which the Issuer carries on business for the types of banking, asset management and insurance, and other products and services the Issuer provides.

Such competition is most pronounced in the core Benelux markets of the Issuer where the Issuer faces competition from companies such as KBC Bank, ING Group, Belfius and BIL. As a result, the Issuer's strategy is to maintain customer loyalty and retention, which can be influenced by a number of factors, including service levels, the prices and attributes of products and services, financial strength and actions taken by competitors. If the Issuer is unable to compete with attractive product and service offerings that are profitable, the Issuer may lose market share or incur losses on some or all of the Issuer's activities.

Competitive pressures could result in increased pricing pressures on a number of the Issuer's products and services, particularly as competitors seek to win market share, and may harm the Issuer's ability to maintain or increase profitability.

In addition, competition in the banking industry could intensify as a result of consolidation in the financial services area or as a result of the presence of new players in the payment and the financing services area or the development of crowdfunding. In particular, competitors subject to less extensive regulatory requirements or to less strict capital requirements (e.g., debt funds, shadow banks), or benefiting from economies of scale, data synergies or technological innovation (e.g., internet and mobile operators, fintechs), could be more competitive. If the Issuer is unable to respond to the competitive environment in Benelux by offering attractive and profitable product and service solutions, it may lose market share in key areas of its business or incur losses on some or all of its activities. In addition, downturns in the economies of its principal markets could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Issuer and its competitors. It is also possible that the increased presence in the global marketplace of nationalised financial institutions, or financial institutions benefiting from State guarantees or other similar advantages, following the recent financial crisis or the imposition of more stringent requirements (particularly capital requirements and activity restrictions) on larger or systematically significant financial institutions could lead to distortions in competition in a manner adverse to large private-sector institutions such as the Issuer.

**Litigation or other proceedings or actions may adversely affect the Issuer's business, financial condition and results of operations.**

In its normal course of business, the Issuer is subject to the risk of litigation by customers, employees or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. Plaintiffs in these types of actions may seek recovery of large or indeterminate amounts or other remedies that may affect the Issuer's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. The cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. As a result, the possibility cannot be ruled out that the outcome of such litigations or investigations may adversely affect the Issuer's business, financial condition and results of operations.

Furthermore, several (previous) shareholders and entities representing shareholders of Ageas SA/NV (previously Fortis SA/NV and Fortis N.V.) have initiated proceedings in Belgium and in The

Netherlands against, amongst others, the Issuer in connection with events and developments in respect of the former Fortis group between May 2007 and October 2008, amongst others in connection with the rights issue of Ageas SA/NV in October 2007. In February 2013 the public prosecutor in Brussels has requested the court ("*raadkamer/chambre du conseil*") to refer certain individuals for trial before the Criminal court of Brussels in respect of certain of these events and developments. Investigation is still ongoing. Moreover, other litigations or investigations are pending in relation to the restructuring of the former Fortis group. It cannot be ruled out that the outcome of such litigations and/or investigations might also have an impact on the Issuer.

More information on these litigations and investigations can be found under Note 8.m (Contingent liabilities: legal proceeding and arbitration) on pages 128 to 129 in the 2015 annual report of the Issuer for the year ended December 2015.

It should be noted that, on 14 March 2016 Ageas and several claimants' organisations announced a settlement proposal with respect to all civil proceedings related to the former Fortis group for the events in 2007 and 2008. The parties to this settlement will request the Amsterdam Court of Appeal to declare the settlement binding for all eligible Fortis shareholders in accordance with the Dutch Act on Collective Settlement of Mass Claims (so called "WCAM").

While awaiting the filing with the Court and the Court's decision, the parties to this settlement have agreed to stay their concerned procedures.

#### **A deterioration of the credit rating of BNP Paribas of its debt quality could adversely affect the Issuer**

As part of the BNP Paribas Group, the Issuer can be highly sensitive to a downgrade by rating agencies of the rating of the parent company of the BNP Paribas Group or a deterioration of its debt quality. BNP Paribas took control of the Issuer on 12 May 2009 (formerly Fortis Bank NV/SA) and subsequently increased its stake in the Issuer to 74.93 per cent. BNP Paribas is now the major shareholder of the Issuer.

#### **While each of the Issuer's businesses manages its operational risks, these risks remain an inherent part of all of the Issuer's businesses**

The Issuer is subject to operational risk because of the uncertainty inherent in all business undertakings and decisions. This risk can be broken down into business risk and event risk.

Business risk is the risk of 'being in business', which affects any enterprise, financial or non-financial. It is the risk of loss due to changes in the competitive environment that damage the business's franchise or operating economics. Typically, the fluctuation originates with variations in volume, pricing or margins against a fixed cost base. Business risk is thus mostly externally driven (by regulatory, fiscal, market and or competition changes, as well as strategic, reputation risks and other related risks).

Event risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and compliance risk. Event risk is often internally driven (internal and external fraud involving employees, clients, products and business practices, as well as technological and infrastructure failures and other related malfunctions) and can be limited through management processes and controls.

The Issuer attempts to keep these risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory

environments in which the Issuer operates. While these control measures mitigate operational risks they do not eliminate them.

### **The Issuer has significant counterparty risk exposure and exposure to systemic risks**

The Issuer's business is subject to general credit risks, including credit risks of borrowers and other counterparties. Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include borrowers under loans made, the issuers whose securities the Issuer holds, customers, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

In addition, in the past, the general credit environment has been adversely affected by significant instances of fraud. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis, and could have an adverse effect on the Issuer's business.

### **Uncertainty linked to fair value accounting and use of estimates**

According to the Issuer's valuation rules financial assets can be carried at fair value through profit or loss. Concerned assets include financial assets held for trading, including non-cash flow hedging derivatives, and financial assets that the Issuer has irrevocably designated to be held at fair value through profit or loss ('fair value option'). The fair value of a financial instrument is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows, and take into consideration, where applicable, model risks. Such techniques include market prices of comparable investments, discounted cash flows, option pricing models and market multiples valuation methods. In the rare case where it is not possible to determine the fair value of a financial instrument, it is accounted for at cost. The effect of changing the assumptions for those financial instruments for which the fair values are measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable inputs may have a material adverse effect on the Issuer's earnings.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying these accounting policies. Actual results may differ from those estimates and judgmental decisions.

Financial institutions may use different accounting categorisations for the same or similar financial assets due to their different intentions regarding those assets. In determining fair value of financial instruments, different financial institutions may use different valuation techniques, assumptions, judgments and estimates which may result in lower or higher fair values for such financial instruments.



## **Adjustments to the carrying value of the Issuer's securities and derivatives portfolios and the Issuer's own debt could have an impact on its net income and shareholders' equity**

The carrying value of the Issuer's securities and derivatives portfolios and certain other assets, as well as its own debt, in its balance sheet is adjusted as of each financial statement date. Most of the adjustments are made on the basis of changes in fair value of its assets or its debt during an accounting period, with the changes recorded either in the income statement or directly in shareholders' equity. Changes that are recorded in the income statement, to the extent not offset by opposite changes in the value of other assets, affect its consolidated revenues and, as a result, its net income. All fair value adjustments affect shareholders' equity and, as a result, its capital adequacy ratios. The fact that fair value adjustments are recorded in one accounting period does not mean that further adjustments will not be needed in subsequent periods.

## **The expected changes in accounting principles relating to financial instruments may have an impact on the Issuer's balance sheet and regulatory capital ratios and result in additional costs**

The International Accounting Standards Board published International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"), issued by the IASB in July 2014, will replace IAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. It sets out the new principles for the classification and measurement of financial instruments, for impairment for credit risk on financial assets and for general hedge accounting (or micro hedging).

IFRS 9 is mandatory for annual periods beginning on or after 1 January 2018 and must first be endorsed by the European Union for application in Europe.

According to IFRS 9, classification and measurement of financial assets will depend on the business model and the contractual characteristics of the instruments. On initial recognition, financial assets will be measured at amortised cost, at fair value through shareholders' equity or at fair value through profit or loss.

Application of these two criteria may lead to different classification and measurement of some financial assets compared with IAS 39.

Investments in equity instruments such as shares will be classified as instruments at fair value through profit or loss, or, as an option, as instruments at fair value through shareholders' equity.

The only change introduced by IFRS 9 with respect to financial liabilities relates to recognition of changes in fair value attributable to changes in the credit risk of the liabilities designated as at fair value through profit or loss (fair value option), which will be recognised in shareholders' equity and not in profit or loss.

IFRS 9 establishes a new credit risk impairment model based on expected losses.

Under the impairment model in IAS 39, an impairment loss is recognised where there is an objective evidence of impairment. Counterparties that are not individually impaired are risk-assessed on the basis of portfolios with similar characteristics and groups of counterparties which, as a result of events occurring since inception of the loans present objective indication of impairment, are subject to a portfolio-based impairment. Moreover, the Issuer may recognise additional collective impairment with respect to a given economic sector or geographic area affected by exceptional economic events.

The new impairment model under IFRS 9 requires recognition of 12-month expected credit losses (that result from the risk of default in the next 12 months) on the financial instruments issued or acquired, as of the date of initial recognition on the balance sheet.

Expected credit losses at maturity (that result from the risk of default over the life of the financial instrument) must be recognised if the credit risk has increased significantly since initial recognition.

This model will apply to loans and debt instruments measured at amortised cost or at fair value through shareholders' equity, to loan commitments and financial guarantees not recognised at fair value, as well as to lease receivables.

The objective of the hedge accounting model under IFRS 9 is to better reflect risk management, especially by expanding the eligible hedging instruments and eliminating some overly prescriptive rules. On initial application of IFRS 9, the Issuer may choose either to apply the new hedge accounting provisions or to maintain the hedge accounting principles under IAS 39 until the new macro hedging standard comes into force.

IFRS 9 does not explicitly address hedging the interest rate risk on a portfolio of financial assets or liabilities. The provisions of IAS 39 for these portfolio hedges, as adopted by the European Union, will continue to apply.

The IFRS 9 implementation projects in the Issuer have started for each phase of the standard. At this stage, these projects focus mainly on analysing financial assets for the purposes of classification and defining the methodology for the new impairment model.

IFRS 15 Revenue from Contracts with Customers, issued in May 2014, will supersede a number of standards and interpretations on revenue recognition (in particular IAS 18 Revenue and IAS 11 Construction Contracts). This standard does not apply to revenue from lease contracts, insurance contracts or financial instruments. It is based on a five-step model framework to determine the timing and amount of recognition of revenue from ordinary activities. IFRS 15 is mandatory for annual periods beginning on or after 1 January 2018 and must first be endorsed by the European Union for application in Europe.

## **2. Risks relating to the Mortgage Pandbrieven**

### **Risks related to Mortgage Pandbrieven in general.**

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Mortgage Pandbrieven, the merits and risks of investing in the Mortgage Pandbrieven and the information contained or incorporated by reference in this Base Prospectus, any applicable supplement or Final Terms;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Mortgage Pandbrieven and the impact the Mortgage Pandbrieven will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Mortgage Pandbrieven including Mortgage Pandbrieven with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Mortgage Pandbrieven and be familiar with the behaviour of any relevant indices, securities, assets and/or financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

**Tax risk**

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

**Belgian Covered Bond Regulations**

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

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

**Change of Law**

The Mortgage Pandbrieven are based on Belgian law, tax rules, regulations, guidelines and administrative practice in effect as at the date of the relevant Mortgage Pandbrieven. No assurance can be given that there will be no change to such law, tax rules, regulations, guidelines and administrative practice after the date of issuance of the relevant Mortgage Pandbrieven which might have an adverse impact on the Mortgage Pandbrieven. Such changes may occur at any time (including during any subscription period or the term of the Mortgage Pandbrieven), and may result in an adverse effect on a Mortgage Pandbrieven Holder, including that the Mortgage Pandbrieven may be

redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable to or receivable by an affected Mortgage Pandbrieven Holder may be less than otherwise expected by such Mortgage Pandbrieven Holder.

### **Credit ratings**

The Issuer has a senior debt rating from Standard & Poor's Credit Market Services Europe Limited (**S&P**) of A and a senior debt rating from Moody's France SAS (**Moody's**) of A2.

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

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

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

- (a) the likelihood of full and timely payment to Mortgage Pandbrieven Holders of all payments of interest on each Interest Payment Date; and
- (b) the likelihood of ultimate payment of principal in relation to Mortgage Pandbrieven on (a) the Maturity Date thereof, or (b) if the Mortgage Pandbrieven are subject to an Extended Maturity Date in accordance with the applicable Final Terms, the Extended Maturity Date thereof.

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

If any credit rating assigned to the Mortgage Pandbrieven is lowered or withdrawn, the market value of the Mortgage Pandbrieven may reduce.

The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Mortgage Pandbrieven and the ability of the Issuer or the Issuer to make payments under the Mortgage Pandbrieven (including but not limited to market conditions and funding related and operational risks inherent to the business of the Issuer). A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant. The investors can find the updated ratings on the Issuer's website ([www.bnpparibasfortis.com](http://www.bnpparibasfortis.com)).

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

In addition, the Issuer's bank assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements and thus a need to deleverage.

This may impact net earnings and the return on capital, and may have an adverse impact on the Issuer's financial position and ability to make payments under the Mortgage Pandbrieven.

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

### **Liabilities under the Mortgage Pandbrieven**

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

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

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

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

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

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

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

Investors should consult their own advisers as to the regulatory capital requirements in respect of the Mortgage Pandbrieven and as to the consequences for and effect on them of the Basel III framework as implemented in the EU by CRD IV and other relevant implementing measures (including various technical standards). No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### **Early redemption**

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

Moreover, following the opening of winding-up proceedings against the Issuer, the Cover Pool Administrator may in certain circumstances proceed with the liquidation of the Special Estate and early redemption of the Mortgage Pandbrieven (see section “*Realisation of the Special Estate and Sale of Cover Assets*” below). There is a risk that, in such circumstances, the proceeds from the liquidation of the Special Estate will not be sufficient to cover the Early Redemption Amount due under the Mortgage Pandbrieven and that Mortgage Pandbrieven Holders or the Mortgage Pandbrieven Holders’ Representative on their behalf will have to introduce a contingent unsecured claim against the Issuer’s general bankruptcy estate in order to preserve their recourse against the General Estate.

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

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

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

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

### **Limited liquidity in the secondary market in Mortgage Pandbrieven**

A secondary market for Mortgage Pandbrieven may not continue for the life of the Mortgage Pandbrieven or it may not provide Mortgage Pandbrieven Holders with liquidity of investment with the result that a Mortgage Pandbrieven Holder may not be able to find a buyer to buy its Mortgage

Pandbrieven readily or at prices that will enable the Mortgage Pandbrieven Holder to realise a desired yield.

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

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

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

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

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

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

Limited liquidity in the secondary market may continue to have a severe adverse effect on the market value of debt securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of

limited categories of investors. Consequently, an investor in the Mortgage Pandbrieven may not be able to sell its Mortgage Pandbrieven readily. The market values of the Mortgage Pandbrieven are likely to fluctuate and may be difficult to determine. Any of these fluctuations may be significant and could result in significant losses to such investor.

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

### **EU Savings Directive – Common Reporting Standard**

Under European Council Directive 2003/48/EC on taxation of savings income (as amended, supplemented or replaced, the **Savings Directive**), Member States are required as from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest (or similar income) (within the meaning of the EU Savings Directive) paid or collected by a paying agent within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to (or for the benefit of) certain limited types of entities established in that other Member State.

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

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, nor the NBB, nor any Paying Agent, nor any other person would be obliged to pay additional amounts with respect to any Mortgage Pandbrieven as a result of the imposition of such withholding tax.

The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

On 24 March 2014, the Council of the European Union adopted EU Council Directive 2014/48/EU amending and broadening the scope of the requirements described above. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Savings Directive will also apply a "look through approach" to certain payments where an individual resident in a Member State is regarded as the beneficial owner of that payment for the purposes of the Savings Directive. This approach may apply to payments made to or by, or secured for or by, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. Member States are required to adopt and publish by 1 January 2016, laws and regulations necessary to comply with this Directive and apply these new requirements from 1 January 2017.

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



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

The exchange of information is, in the near future, expected to be governed by the broader Common Reporting Standard (**CRS**). At present, more than 40 countries, including Belgium, have committed to implement the information reporting according to CRS as from 2017 or 2018.

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

### **Foreign Account Tax Compliance Act**

In certain very exceptional circumstances the Issuer, the Domiciliary Agent and certain other entities through which payments on the Mortgage Pandbrieven are made might be required to withhold U.S. tax at a rate of 30% on a portion of interest payments made after 31 December 2016 in respect of Mortgage Pandbrieven that would be treated as debt for U.S. federal tax purposes, pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code and the regulations and other guidance promulgated thereunder (**FATCA**).

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

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

Some countries have entered into, and other countries are expected to enter into, agreements (intergovernmental agreements or **IGAs**) with the United States to facilitate the type of information reporting required under FATCA. While the existence of IGAs will not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs will often require financial institutions in those countries to report some information on their U.S. accountholders to the taxing authorities of those countries, who will then pass the information to the IRS.

Belgium has entered into an intergovernmental agreement (**IGA**) relating to the implementation of FATCA with the United States. Under this IGA, the Issuer would currently not be required to deduct or withhold amounts under FATCA. However, the terms of the IGA in respect of withholding are subject to change, and the Issuer can offer no assurances on future withholding requirements under the US-Belgian IGA, on payments made after 31 December 2016. Moreover, Belgium has in the

meantime implemented FATCA in its domestic legislation by a law of 16 december 2015 (“*Wet tot regeling van de mededeling van inlichtingen betreffende financiële rekeningen, door de Belgische financiële instellingen en de FOD Financiën in het kader van automatische uitwisseling van inlichtingen op internationaal niveau en voor belastingdoeleinden*”/“*Loi réglant la communication des renseignements relatifs aux comptes financiers, par les institutions financières belges et le SPF Finances, dans le cadre d'un échange automatique de renseignements au niveau international et à des fins fiscales*”). Under this law, Belgian financial institutions holding Mortgage Pandbrieven for “US accountholders” and for “Non US owned passive Non Financial Foreign entities” are held to report financial information regarding the Mortgage Pandbrieven (income, gross proceeds,..) to the Belgian competent authority, who shall communicate the information to the US tax authorities.

The Issuer closely monitors all present and new legislation that is or will be applicable for its organisation, and is currently investigating all implications of FATCA and legislation of countries that have entered into IGAs. While investigating these implications, the Issuer is and will be in close contact with all of its stakeholders, including its peers and financial industry representative organisations.

The Issuer intends to take all necessary steps to comply with FATCA (including entering into agreements with the U.S. tax authorities as may be required), in accordance with the timeframe set by the U.S. tax authorities. However, if the Issuer cannot enter into such agreements or satisfy the requirements thereunder (including as a result of local laws in non-IGA countries prohibiting information sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to accountholders, or other investors, or as a result of the failure of accountholders or other investors to provide requested information), certain payments to the Issuer may be subject to withholding under FATCA. The possibility of such withholding and the need for accountholders and investors to provide certain information may adversely affect the sales of certain of the Issuer’s products. In addition, (i) entering into agreements with the IRS and (ii) compliance with the terms of such agreements and with FATCA any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA may substantially increase the Issuer’s compliance costs. Because legislation and regulations implementing FATCA and the IGAs remains under development, the future impact of this law on the Issuer is uncertain.

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

### **Risks relating to the proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **Participating Member States**). On 8 December 2015, Estonia however expressed its intention not to introduce the FTT.

The proposed FTT has very broad scope and could apply to certain dealings in the Mortgage Pandbrieven (including secondary market transactions) in certain circumstances. The issuance and subscription of Mortgage Pandbrieven should, however, be exempt.

Under the proposals, 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 the Mortgage Pandbrieven where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a

Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The Issuer is a financial institution incorporated in Belgium and therefore financial institutions worldwide would be subject to the FTT when dealing in the Mortgage Pandbrieven.

Joint statements issued by the Participating Member States indicate an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives. The FTT, as initially implemented on this basis, may not apply to dealings in the Mortgage Pandbrieven.

The proposed FTT remains subject to negotiation between the Participating Member States and the timing remains unclear. The proposed FTT may still be abandoned or repealed. Additional EU Member States may decide to participate. Given the lack of certainty surrounding the proposals and their implementation, it is not possible to predict what effect the proposed FTT might have on the business of the Issuer; it could materially adversely affect its business. Prospective holders of the Mortgage Pandbrieven are strongly advised to seek their own professional advice in relation to the FTT.

### **Risks related to specific types of Mortgage Pandbrieven**

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

#### **Mortgage Pandbrieven with an Extended Maturity Date**

The Final Terms applicable to a Series of Mortgage Pandbrieven may provide that the obligations of the Issuer to pay the Principal Amount Outstanding due on the relevant Maturity Date (the **Final Redemption Amount**) may be deferred until a later date (such date the **Extended Maturity Date**). To the extent an Extended Maturity Date is applicable in respect of a Series of Mortgage Pandbrieven, the Mortgage Pandbrieven Holders are subject to an extension risk. The extension of the Maturity Date will occur automatically if the Issuer has failed to pay any amount of the Final Redemption Amount within fourteen (14) calendar days after the applicable Final Maturity Date of such Series (as specified in the applicable Final Terms). Notwithstanding such extension, the Issuer shall be entitled to pay, in whole or in part, any amount representing the Final Redemption Amount remaining unpaid on the relevant Maturity Date, on any Interest Payment Date thereafter up to (and including) the Extended Maturity Date (provided that it will in any event have to be paid in full on the relevant Extended Maturity Date). If on any such Interest Payment Date, the Issuer pays only a part of the Final Redemption Amount, this repaid amount will be apportioned to the Mortgage Pandbrieven Holders pro rata the Principal Amount Outstanding of their Mortgage Pandbrieven. The payment of the (remaining) Final Redemption Amount shall become due and payable on the Extended Final Maturity Date of the relevant Series, as specified in the applicable Final Terms.

In the event the maturity of the Final Redemption Amount is extended from the applicable Maturity Date until the Extended Maturity Date, the Mortgage Pandbrieven Holders shall not be entitled to accelerate the Mortgage Pandbrieven or to take any action against the Issuer and the Special Estate. The amount unpaid under the Mortgage Pandbrieven will continue to accrue interest up to the Extended Maturity Date or, if redeemed earlier in full, on such Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full, in accordance with the Conditions and the Issuer will make payments of accrued interest on each relevant Interest Payment Date up to (and including) the

Extended Maturity Date or, if redeemed earlier in full, on such Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full, until the Final Redemption Amount is paid in full. Unless otherwise set out in the applicable Final Terms of the relevant Series, no other amount is payable as a result of the extension of the Maturity Date being triggered.

It should be noted that an extension of the maturity of a particular Series of Mortgage Pandbrieven will not automatically result in an extension of the maturity date of any other Series. However, any other Series of Mortgage Pandbrieven, the Maturity Date of which falls due for payment within the same calendar month as an Interest Payment Date for a Series of Mortgage Pandbrieven to which an Extended Maturity Date applies, will only be redeemed if and to the extent that the Issuer is able to redeem in full (in such calendar month) the Series to which the Extended Maturity Date applies. If it is unable to do so, or is unable to redeem in full the Series to which an Extended Maturity Date did not apply, then such Series will also (to the extent not redeemed in full within fourteen (14) calendar days of the relevant Maturity Date) become subject to extension of its Maturity Date.

### **Fixed Rate Mortgage Pandbrieven**

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

### **Floating Rate Mortgage Pandbrieven**

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

### **Zero Coupon Mortgage Pandbrieven**

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

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

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

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

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

### **Mortgage Pandbrieven not contemplated by the Base Prospectus**

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

### **Mortgage Pandbrieven in dematerialised form**

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

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

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

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

### **Inflation Risk**

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

### **Currency Exchange Rate Risk**

The Issuer will pay interest and principal on the Mortgage Pandbrieven in the Specified Currency. This presents certain risks relating to currency conversion if the Mortgage Pandbrieven Holder's financial activities are denominated principally in a currency or currency unit (the **Investor's**

**Currency**) other than the Specified Currency. These include the risk exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency's equivalent yield on the Mortgage Pandbrieven and (2) the Investor's Currency equivalent market value of the Mortgage Pandbrieven.

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

### **3. Risks relating to the Mortgage Pandbrieven and the Special Estate**

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

#### **Credit risk**

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

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

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

#### **Liquidity risk**

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

In order to comply with the Covered Bond Regulations the Programme needs to incorporate solutions addressing this liquidity risk. The Liquidity Test set out in Article 7 § 1 of the Covered Bonds Royal Decree in particular requires that the Cover Assets of the Special Estate generate sufficient liquidity or contain enough liquid assets in order to allow the Issuer to make all unconditional payments under or in relation to the Mortgage Pandbrieven falling due in the following six (6) month period (including payments of principal, interest and other costs under the Mortgage Pandbrieven). If an Extended Maturity Date is specified in the applicable Final Terms for a Series of Mortgage Pandbrieven, any

payments which shall be subject to an extension in accordance with the Conditions shall, however, not be considered as unconditional for the purpose of the Liquidity Test.

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

### **Statutory Tests applicable to Special Estate**

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

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

There is no assurance that the characteristics allocated to the Cover Assets to the Special Estate on the Issue Date of a Series of Mortgage Pandbrieven will remain the same on any date thereafter. It is expected that the composition of the Special Estate will change frequently as a result of additions, removals and/or substitutions of Cover Assets. Cover Assets will however need to satisfy the requirements of Covered Bond Regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

- (a) the Issuer, or upon its appointment by the NBB, the Cover Pool Administrator may need to liquidate the Special Estate in whole or in part in order to repay the Mortgage Pandbrieven



Holders upon the occurrence of an Event of Default and the service of a Notice of Default by the Mortgage Pandbrieven Holders' Representative;

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

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

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

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

### **Transfer of the Special Estate in case of distress**

The Competent Authority may designate a Cover Pool Administrator in the circumstances set out in Article 8 of Annex III to the Banking Law and in accordance with the Cover Pool Administrator Royal Decree (as defined in Section 4 *Summary of the Belgian Covered Bond Regulations*). If bankruptcy proceedings are initiated against the Issuer, the Cover Pool Administrator may, subject to approval of the Competent Authority and following consultation with the Mortgage Pandbrieven Holders' Representative, transfer the Special Estate (i.e. all its assets and liabilities) and its management to an institution which will be entrusted with the continued performance of the obligations to the Mortgage Pandbrieven Holders in accordance with the Conditions (and the applicable Final Terms) and the Belgian Covered Bond Regulations.

The rights of the Mortgage Pandbrieven Holders against the Special Estate will be maintained and will follow the Special Estate on any such transfer. In similar vein, Book II, Titel VIII of the Banking Law entitles the National Resolution Authority to take resolution action in relation to any failing credit institution. Such resolution action may, amongst other things, result in a transfer of assets and liabilities or branches of activity of a credit institution, which may include the Special Estate. Article

10 of Annex III to the Banking law specifies that, in the case of such a transfer, the claims of the Mortgage Pandbrieven Holders and Other Creditors shall be maintained and transferred together with the Special Estate's Cover Assets. Investors should be aware that in such circumstances, the obligor under the Mortgage Pandbrieven will be the institution to which the Special Estate is transferred.

### **Other Cover Pool Creditors and subordination**

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

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

### **Acceleration of the Mortgage Pandbrieven by the Mortgage Pandbrieven Holders**

Mortgage Pandbrieven Holders should be aware that the breach of the Statutory Tests, the non-compliance of the Issuer with the Belgian Covered Bond Regulations and the opening of bankruptcy proceedings with respect to the Issuer will not as such give them the right to declare the Mortgage Pandbrieven immediately due and payable. Other than pursuant to an Event of Default under Condition 8 (*Events of Default and Enforcement*) or pursuant to Article 11, 7° of Annex III to the Banking Law (following a winding-up of the Issuer when a decision to that effect has been taken at a meeting of Mortgage Pandbrieven Holders at which at least two thirds of the principal amount of all Mortgage Pandbrieven of all Series is represented), the Mortgage Pandbrieven Holders cannot cause an acceleration or early repayment of the Mortgage Pandbrieven.

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

Any positive balance remaining after the closing of the liquidation of the Special Estate shall by operation of law be part of the General Estate of the Issuer. Cover Assets shall thus in principle only return to the General Estate after all obligations owed under and in relation with the Mortgage Pandbrieven have been repaid in full. Following the initiation of winding-up proceedings against the Issuer, the bankruptcy trustee may however require, after consultation with the NBB, that the Cover Pool Administrator returns that portion of the Cover Assets to the General Estate of which it is certain that it is no longer necessary to serve as Cover Assets, i.e. that such amount of Cover Assets are no longer necessary for the payment of the Mortgage Pandbrieven Holders.

Based on the preparatory works of the Law of 3 August 2012 regarding the implementation of a legal framework for Belgian covered bonds (which amended the previous version of the Banking Law), the determination as to whether certain cover assets constitute such a surplus must not only take into account the regulatory requirements but also, when relevant, the objective not to adversely affect the credit ratings previously assigned to the pandbrieven by external credit ratings agencies.

However, no assurance can be given that such return of Cover Assets to the General Estate will not affect the value of the Mortgage Pandbrieven.

### **Bankruptcy proceedings under Belgian Law**

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

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

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

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

The Banking Law incorporates private international law principles transposing Directive 2001/24/EC of the European Parliament and of the Council of April 2001 on the reorganisation and winding up of credit institutions (as amended or supplemented from time to time, the **Credit Institutions Insolvency Directive**) into Belgian law. The Credit Institutions Insolvency Directive applies to credit institutions and their branches set up in Member States other than those in which they have their head offices, as defined in Directive 2000/12/EC, subject to the conditions and exemptions laid down in the Credit Institutions Insolvency Directive. Only the administrative or judicial authorities of the home member state which are responsible for winding-up are empowered to decide on the opening of winding up proceedings.

### **Commingling Risk**

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

## **Set-off risk**

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

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

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

## **Mortgage mandates**

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

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

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

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

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

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

### **Reliance on third parties**

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

### **Reliance on Hedging Counterparties**

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

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

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

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

### **Conflicts of Interest**

#### ***Time subordination***

Taking into account that the final terms of different Series of Mortgage Pandbrieven may provide for different maturity dates, the Issuer or, as the case may be, the Cover Pool Administrator, will be entitled to apply available funds in order to repay earlier maturing Series of Mortgage Pandbrieven, which may mean that there may be fewer assets available to support later maturing Series of Mortgage Pandbrieven. This risk is however mitigated in case of early redemption as set out in Article 11, 6° and 7° of Annex III to the Banking Law.

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

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

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

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

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

***Early redemption of the Mortgage Pandbrieven***

The Cover Pool Administrator:

- (a) may in consultation with the Mortgage Pandbrieven Holders' Representative and subject to approval by the NBB, proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven where the Cover Assets are not, or risk not being, sufficient to satisfy the obligations under all of the Mortgage Pandbrieven;
- (b) will, in consultation with the Mortgage Pandbrieven Holders' Representative and the NBB, proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven when a majority decision has been taken to this effect at a meeting of Mortgage Pandbrieven Holders at which at least two thirds of the Principal Amount Outstanding of the Mortgage Pandbrieven of all Series are represented; the Issuer, the Cover Pool Administrator or a qualifying portion of Mortgage Pandbrieven Holders (see Part 3 of Section "*Meeting rules of the Mortgage Pandbrieven Holders*") may convene a meeting of Mortgage Pandbrieven Holders for such purpose.

***Issuance of N Bonds under the Programme***

The Issuer may from time to time issue Mortgage Pandbrieven under the Programme in the form of N Bonds, as well as in any other form agreed by the Issuer from time to time. The N Bonds will be subject to the terms and conditions which may be agreed with the Issuer at the time of their issuance.

The N Bonds (as well as any Mortgage Pandbrieven issued in any other form) will, however, be subject to the Special Estate Administration Agreement, which contains certain terms which apply to all Mortgage Pandbrieven issued under the Programme (including N Bonds) (the **Common Terms**). The N Bonds issued under the Programme will also be subject to the Covered Bond Regulations (see section headed “*Summary of the Belgian Covered Bond Regulations*”). The Mortgage Pandbrieven Holders should furthermore note that all Mortgage Pandbrieven (including N Bonds) will rank *pari passu* among themselves and that, as a result, the proceeds of the Special Estate will be applied to the satisfaction of amounts due and payable to all Mortgage Pandbrieven Holders (including the holders of N Bonds) on a *pro rata* basis.



### SECTION 3 - IMPORTANT INFORMATION

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

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

Market data and other statistical information used in this Base Prospectus has been extracted from a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an **Independent Source**). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and able to ascertain from information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has not independently verified the market data and statistical information used in the Base Prospectus and extracted from an Independent Source.

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

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

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

To the fullest extent permitted by law, any Dealer appointed under the Programme from time to time does not accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Dealer or on its behalf in connection with the Issuer or the issue and offering of the Mortgage Pandbrieven. Each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to in this section) which it might

otherwise have in respect of this Base Prospectus or any such statement. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Mortgage Pandbrieven shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Mortgage Pandbrieven Holders' Representative expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Mortgage Pandbrieven of any information coming to their attention. Investors should review, inter alia, the documents incorporated herein by reference when deciding whether or not to purchase any Mortgage Pandbrieven. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Mortgage Pandbrieven or any change in the condition of the Issuer which is material in the context of the Programme or the issue of any Mortgage Pandbrieven, prepare and publish a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Mortgage Pandbrieven to be listed or admitted to trading on an EU Regulated Market.

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

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

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

This Base Prospectus has been prepared on a basis that would permit a public offer of Mortgage Pandbrieven with a denomination of at least EUR 100,000 or its equivalent in any other Specified Currency. As a result, any offer of Mortgage Pandbrieven in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Mortgage Pandbrieven. Accordingly any person making or intending to make an offer of Mortgage Pandbrieven in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Mortgage Pandbrieven in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

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

- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Mortgage Pandbrieven, including Mortgage Pandbrieven where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Mortgage Pandbrieven and is familiar with the behaviour of financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

By subscribing for or otherwise acquiring the Mortgage Pandbrieven, the Holders of the Mortgage Pandbrieven will also be deemed to have knowledge of, accept and be bound by all the provisions of, the Programme Documents.

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

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

## **STABILISATION**

In connection with the issue of any Tranche of Mortgage Pandbrieven, the Dealer or Dealers (if any) named as the stabilising manager(s) (**Stabilising Manager(s)**) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Mortgage Pandbrieven or effect transactions with a view to supporting the market price of the Mortgage Pandbrieven at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Mortgage Pandbrieven is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Mortgage Pandbrieven and 60 days after the date of the allotment of the relevant Tranche of Mortgage Pandbrieven. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

## **PRESENTATION OF INFORMATION**

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

## SECTION 4 - SUMMARY OF THE BELGIAN COVERED BOND REGULATIONS

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

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

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

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

- 1.1. On 3 August 2012, Belgian parliament voted into law a legal framework for the issuance of Belgian covered bonds. The new legal framework was set up to allow Belgian credit institutions to issue a debt instrument as referred to under article 52, paragraph 4 of Directive 2009/65 of the European Parliament and of the Council of 13 July 2009 on the coordination of the law, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (the **UCITS Directive**). To this effect, the Belgian Act of 3 August 2012 established a legal framework for Belgian covered bonds (the **Covered Bond Law**) introducing the concepts of a “Belgian covered bond” (*Belgische covered bond/covered bond belge*) and a “Belgian pandbrief” (*Belgische pandbrief/lettre de gage belge*). This law has been further incorporated in the law of 25 April 2014 on the legal status and supervision on credit institutions, published in the Belgian Official Journal on 7 May 2014 (the **Banking Law**).
- 1.2. A **Belgian Covered Bond** is a debt instrument that satisfies the following criteria (Article 1, 1° of Annex III to the Banking Law):
  - (a) it is issued by a Belgian credit institution that is registered on a list, held by the NBB, of credit institutions that have been granted a General Authorisation by the NBB to issue Belgian covered bonds;
  - (b) it is, or is issued under a programme that is, registered on a list, held by the NBB (per issuer), of issues or issuance programmes for which the NBB has granted a Specific Authorisation in accordance with the provisions of the Banking Law; and
  - (c) it is a debt instrument in relation to which a special estate (*bijzonder vermogen/patrimoine special*) is created in accordance with the provisions of the Banking Law.
- 1.3. The Belgian legislator made the following fundamental choices in respect of the Belgian covered bond framework:
  - (a) the Banking Law does not foresee in the creation of a new type of specialized credit institution. Belgian Covered Bonds can be issued by a regular Belgian credit

institution. However, in order to be entitled to issue Belgian Covered Bonds, the issuing credit institution needs to obtain two authorisations from the NBB as competent authority (see below under 2. *Dual Authorisation*).

- (b) the holders of the Belgian Covered Bonds (and certain other creditors that can be established on the basis of the terms and conditions of the relevant Belgian Covered Bond) benefit from an exclusive right of recourse to a segregated pool of cover assets (*dekkingswaarden/actifs de couverture*). For the segregation of this pool of cover assets, the Belgian legal framework has opted for a technique whereby the cover assets are segregated on the balance sheet of the issuer by the creation of one or more special estates (*bijzonder vermogen/patrimoine special*). The right of recourse to the segregated special estate comes in addition to a general right of recourse to the remaining assets (not allocated to a special estate) on the balance of the issuing credit institution – the general estate (*algemeen vermogen/patrimoine general*). This way, the holder of the Belgian Covered Bonds (and the other related creditor) obtain a *dual recourse*. The Belgian legislator has thus followed the approach of certain well established covered bond jurisdictions, such as Germany, which provides for an on balance sheet segregation of cover assets rather than a segregation of assets into a special purpose vehicle

1.4. A **Belgian Pandbrief** (Article 1, 3° and Article 2, § 1 of Annex III to the Banking Law) is a Belgian Covered Bond whereby the composition and valuation of the Cover Assets must satisfy the specific requirements to obtain an advantageous risk weight under the Belgian own fund regulations transposing the Capital Requirements Directive). The criteria to determine whether a Belgian Covered Bond satisfies such specific requirements, may be established or clarified by royal decree (Article 81 of the Banking Law).

1.5. On 11 October 2012, two royal decrees were adopted further implementing the provisions of the Covered Bond Law:

- (a) the royal decree regarding the issuance of Belgian covered bonds by Belgian law credit institutions (the **Covered Bonds Royal Decree**). The Covered Bonds Royal Decree provides for implementing regulations in order to allow for the issuance of Belgian pandbrieven (*belgische pandbrieven/lettres de gage belges*);
- (b) the royal decree regarding the cover pool administrator in the framework of the issuance of Belgian covered bonds by a Belgian credit institution (the **Cover Pool Administrator Royal Decree**). Under the Banking Law, a cover pool administrator (*portefeuillebeheerder/gestionnaire de portefeuille*) will or may be appointed by the NBB under certain circumstances in order to take over the management of the special estate (Article 8 of Annex III to the Banking Law). The Cover Pool Administrator Royal Decree sets forth further rules regarding required qualifications and powers of the Cover Pool Administrator (Article 9 of Annex III to the Banking Law).

1.6. In accordance with the Covered Bonds Royal Decree, the NBB was also mandated to establish technical rules implementing certain provisions of the Covered Bonds Royal Decree. On 29 October 2012, the NBB issued two regulations:

- (a) the regulation (NBB\_2012\_12) regarding practical rules for the application of the law of 3 August 2012 establishing a legal framework for Belgian covered bonds (*circulaire over de praktische regels voor de toepassing van de wet van 3 augustus 2012 tot invoering van een wettelijke regeling voor covered bonds/Modalités*

*pratiques d'application de la loi du 3 août 2012 instaurant le régime pour les covered bonds*)(the **NBB Covered Bonds Regulation**);

- (b) the regulation (NBB\_2012\_13) addressed to portfolio monitors at Belgian credit institutions that issue Belgian covered bonds (*circulaire aan portefeuillesurveillanten bij kredietinstellingen naar Belgisch recht die Belgische covered bonds uitgeven/circulaire aux surveillants de portefeuille auprès d'établissements de crédit de droit belge qui émettent des covered bonds belges*) (the **NBB Cover Pool Monitor Regulation**).
- 1.7. Whereas the creation of Belgian Covered Bonds depends on the effectiveness of the segregation of Cover Assets in a Special Estate on balance of the issuing credit institution, the Belgian legislator also had to ensure that this segregation would not be open to challenge or recharacterisation on the basis of insolvency rules. Therefore, a second law was voted by Belgian Parliament on 3 August 2012 regarding diverse measures to facilitate the mobilisation of claims in the financial sector (*wet betreffende diverse maatregelen ter vergemakkelijking van de mobilisering van schuldvorderingen in de financiële sector/loi relative à des mesures pour faciliter la mobilisation de créances dans le secteur financier*) (the **Mobilisation Law**).
- 1.8. The Belgian Banking Law, the Mobilisation Law, the Covered Bonds Royal Decree, the Cover Pool Administrator Royal Decree, the NBB MCovered Bonds Regulation and the NBB Cover Pool Monitor Regulation, together constitute the **Belgian Covered Bond Regulations**.
- 1.9. The Mortgage Pandbrieven issued under the Programme described in this Base Prospectus will be issued pursuant to the Belgian Covered Bond Regulations.

## **2. DUAL AUTHORISATION**

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

### **(A) General Authorisation**

- 2.2. In order to obtain a General Authorisation, the credit institution that intends to issue Belgian Covered Bonds needs to submit a file with the NBB describing how it will organize the proposed transactions. This file needs to include, inter alia, the following information:
- (a) a description of the financial position of the issuer, showing it is sufficiently solvent to safeguard also the interest of creditors other than the holders of Belgian Covered Bonds;
  - (b) a description of the long-term strategy of the issuer, in particular as to liquidity and the role of the Belgian Covered Bonds in this strategy;

- (c) a description of the tasks and responsibilities within the organisation of issuing credit institution in relation to the issuance of Belgian Covered Bonds;
  - (d) a description of the risk management policy of the issuing credit institution in relation to Belgian Covered Bonds, in particular in respect of interest rate risk, currency exchange risk, credit and counterparty risk, liquidity risk and operational risk;
  - (e) a description of the involvement of internal audit in the procedures for the issuance of Belgian Covered Bonds, including the frequency of the audits and applicable audit procedures;
  - (f) a description of the decision and reporting procedures in relation to the issuance of Belgian Covered Bonds; and
  - (g) a description of the necessary IT systems in relation to the issuance of Belgian Covered Bonds.
- 2.3. The NBB will grant the General Authorisation to the extent, on the basis of the information in the file submitted by the credit institution, on-site inspections and further information it may obtain from the institution or third parties, it is convinced that:
- (a) the administrative and accounting organisation of the credit institution allow it to comply with the requirements of the Belgian Covered Bond Regulations, in particular in terms of segregation of the Cover Assets; and
  - (b) the financial position of the credit institution, in particular its solvency, is sufficient to safeguard also the interest of creditors other than the holders of Belgian Covered Bonds.
- 2.4. Prior to granting the General Authorisation, the NBB will request the auditor of the credit institution to submit a report on the organisational capacity of the credit institution to comply with its obligations under the Belgian Covered Bond Regulations (Article 80, §1 of the Banking Law).
- 2.5. The Issuer obtained the General Authorisation from the NBB in relation to its organisational capacity to issue Belgian Covered Bonds on 9 February 2016.

**(B) Specific Authorisation**

- 2.6. In order to obtain the Specific Authorisation, the credit institution that intends to issue Belgian Covered Bonds needs to submit a file with the NBB including, inter alia, the following information:
- (a) the impact of the envisaged issuance or issuance programme on the liquidity position of the credit institution;
  - (b) the quality of the Cover Assets, in particular on the type of debtors of the Cover Assets, the collateral, guarantees or privileges securing the Cover Assets, the diversification of the Cover Assets and their maturity dates;
  - (c) the matching of maturity dates of the Belgian Covered Bonds and the Cover Assets; and
  - (d) elements showing that the requirements to obtain the General Authorisation are still satisfied.



2.7. The NBB will grant the Specific Authorisation to the extent, on the basis of the information in the file submitted by the credit institutions and further information it may request from the institution, it is convinced that:

- (a) the institution has obtained the General Authorisation, and
- (b) in respect of the envisaged issuance or issuance programme, the institution complies with the Belgian Covered Bond Regulations, in particular as far as the nature and minimum requirements of the Cover Assets is concerned (see below under *4. Cover Assets and Tests*).

2.8. The Issuer obtained the Specific Authorisation from the NBB in relation to the Programme on 3 May 2016.

**(C) Limitation on the issuance of Belgian Covered Bonds**

2.9. Based on Article 10 of the Covered Bonds Royal Decree, a credit institution shall in principle not be able to issue additional Belgian Covered Bonds to the extent the amount of all Cover Assets allocated to the Special Estate(s) related to all Belgian Covered Bonds issued by the credit institution (as reflected in its financial accounts) is higher than 8% of the aggregate amount of all its assets (balance sheet total).

2.10. In case exceptional circumstances on the financial markets justify an increased utilisation of Belgian Covered Bonds as a funding tool, the NBB may temporarily allow a more flexible limitation.

2.11. The NBB may also impose a more stringent limit, on a case by case basis, in order to protect the interest of other creditors than the holders of Belgian Covered Bonds. The NBB will in particular assess the impact of an envisaged issuance on the level of encumbered assets. To this end, the NBB expects that in the file to obtain the General Authorisation, the credit institution describes its policy towards liquidity and sets further internal limits that ensure:

- (a) an adequate diversification between secured and unsecured funding sources,
- (b) the availability of sufficient unencumbered assets to provide a cushion in the event of crisis on the market for unsecured funding, and
- (c) the availability of sufficient unencumbered assets that can be allocated as Cover Assets in order to substitute matured or defaulted Cover Assets.

**(D) Publication of Authorisation**

2.12. The NBB keeps a list of:

- (a) credit institutions that have obtained a General Authorisation, which is published on its website: [www.nbb.be](http://www.nbb.be) – prudential supervision – areas of responsibility – credit institutions – lists – credit institutions authorised to issue Belgian Covered Bonds; and
- (b) covered bonds issuance programmes and issuances for which the credit institution has obtained a Specific Authorisation: [www.nbb.be](http://www.nbb.be) – prudential supervision – areas of responsibility – credit institutions – lists – covered bond issuances carried out by the credit institutions (information only available in French or Dutch).

2.13. Both lists and amendments thereto are communicated by the NBB to the European Commission in application of Article 52(4) of the UCITS Directive.

- 2.14. The Issuer is on the NBB's list of credit institutions that have obtained General Authorisation. The Programme is on the NBB's list of Belgian Covered Bonds in respect of which a Specific Authorisation has been granted.

### **3. SPECIAL ESTATE**

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

#### **(A) Creation of one or more Special Estates**

- 3.2. In order to segregate a pool of Cover Assets, the Banking Law introduces a technique to separate one or more Special Estates within the estate of a credit institution that issues Belgian Covered Bonds.

- 3.3. Article 3, §1 of Annex III to the Banking Law confirms that the estate of a credit institution that issues Belgian Covered Bonds consist, by operation of law, of a general estate (*algemeen vermogen/patrimoine general*)(the **General Estate**) and one or more special estates (*bijzondere vermogen/patrimoine spécial*)(the **Special Estate(s)**).

- 3.4. The most important part of the Cover Assets in respect of an issuance or issuance programme of Belgian Covered Bonds is segregated into a Special Estate by way of registration of such Cover Assets in a Cover Register that is kept by the issuing credit institution in relation to one or more specific issuances of Belgian Covered Bonds or, as the case may be, in relation to all Belgian Covered Bonds under an issuance programme (Article 15, §2 of Annex III to the Banking Law). See below under *5(a) - special obligations of the issuer in respect of administration of the Belgian Covered Bonds*.

- 3.5. In accordance with Article 3, §2 of Annex III to the Banking Law, a Special Estate is, by operation of law, composed of:

- (a) all assets registered in a Cover Register in accordance with Article 15, §2 of Annex III to the Banking Law;
- (b) all collateral – cash and financial instruments – received in relation to any hedging instruments that have been registered as Cover Assets;
- (c) all security interest (in rem and personal), guarantees of privileges issued in relation to the Cover Asset, including all rights under insurance policies or other agreements relating to the Cover Assets or the management of the Special Estate;
- (d) all amounts held as collections in relation to Cover Assets or a result of the exercise of the rights referred to under (a) to (c) above (hereafter, the **Collections**); and
- (e) any mandatory reserves that would be held at the NBB in relation to the Special Estate.

- 3.6. The preparatory works to the Covered Bond Law clarify that the technique to segregate Cover Assets into a Special Estate does not result into the creation of a separate legal entity and hence does not trigger specific corporate law obligations or tax consequences.

**(B) Purpose of the Special Estate - exclusive right of recourse**

3.7. Based on Article 6 of Annex III to the Banking Law, a Special Estate provides an exclusive right of recourse to:

- (a) the holders of the related Belgian Covered Bonds, and
- (b) the creditors of a claim that is or may be established on the basis of the terms and condition applicable to the related Belgian Covered Bonds.

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

3.8. A priority of payments between the claims of the holder of Belgian Covered Bonds (and any other creditors of claims related to the Belgian Covered Bonds issuance) may be determined in the terms and conditions and the agreement entered into in respect of the issuance of Belgian Covered Bonds or the related issuance programme (Article 6, 4th paragraph of Annex III to the Banking Law). See Condition 9 (*Priority of Payments*) in the Section *Terms and Conditions of the Mortgage Pandbrieven*.

3.9. Article 6, 5th to 7th paragraph of Annex III to the Banking Law provide for three exceptions to the exclusive right of recourse:

- (a) in order to improve the liquidity of the Special Estate, additional obligations may be entered into in relation to the Special Estate (such as a liquidity line). The terms and conditions of the Belgian Covered Bonds may determine whether such additional obligations will be paid in priority or will be subordinated (in the absence of any determination, such obligations will rank *pari passu* and *pro rata*);
- (b) a Cover Pool Administrator (see below under 7.A – *Cover Pool Administrator*) may, unless otherwise agreed, withhold its remuneration, costs and expenses from the Special Estate; and
- (c) following liquidation of the Special Estate, an remaining (positive) balance will, by operation of law, form part of the General Estate.

3.10. Notwithstanding this exclusive right of recourse to the Special Estate, the holders of the Belgian Covered Bonds and the Other Creditors related to the Belgian Covered Bonds retain a right of recourse to the General Estate (that ranks *pari passu* with the claims of all other unsubordinated creditors of the issuing credit institution) so that they can exercise a dual right of recourse (Article 6, 8th paragraph of Annex III to the Banking Law).

**(C) Management of the Special Estate**

3.11. In first instance, the issuing credit institution remains responsible for the management of the Special Estate(s). The rights and obligations in respect of transactions between the issuing credit institution and a Special Estate need to be agreed upon in writing as if the Special Estate were a separate legal entity (Article 7 of Annex III to the Banking Law).

- 3.12. In accordance with Article 8, §1 of Annex III to the Banking Law, the NBB will appoint a cover pool administrator (*portefeuillebeheerder/gestionnaire de portefeuille*) (a **Cover Pool Administrator**) for each Special Estate:
- (a) in case a reorganisation measure (as referred to in Article 236 of the Banking Law) is taken in respect of the issuing credit institution that, in the opinion of the NBB, may have a negative impact on the related Belgian covered bonds;
  - (b) in case a liquidation procedure (as referred to in Article 3, 59° of the Banking Law) is initiated against the issuing credit institution; or
  - (c) if, in the opinion of the NBB, the position of the issuing credit institution seriously jeopardizes the interest of the holders of the relevant Belgian Covered Bonds.
- 3.13. Upon the appointment of a Cover Pool Administrator by the NBB, the Cover Pool Administrator will assume the management of the Special Estate (Article 8, §2 of Annex III to the Banking Law). The Cover Pool Administrator manages the Special Estate with a view to ensure further compliance with the terms and conditions applicable to the relevant Belgian Covered Bonds. To this end, the Cover Pool Administrator is granted all necessary and useful powers to manage the Special Estate, including the power to dispose of Cover Assets. Any acts relating to the Special Estate that are performed in the name of the issuing credit institution by any person other than the Cover Pool Administrator following its appointment, are null and void, unless such acts are ratified by the Cover Pool Administrator (See also see below under 7.A – Cover Pool Administrator).

**(D) Impact of reorganization and liquidation procedures**

- 3.14. In the event liquidation procedures are started against the issuing credit institution (Article 11 of Annex III to the Banking Law):
- (a) such procedures will only affect the General Estate. The Special Estate(s) and the debts and liabilities covered by the Special Estate(s) will not be part of the bankrupt estate. The Special Estate will be managed separately from the bankruptcy procedure applicable to the General Estate of the issuing credit institution (i.e., on a bankruptcy remote basis);
  - (b) the bankruptcy trustee (*curator/curateur*) has a legal obligation to cooperate with the NBB and the Cover Pool Administrator so that they can manage the Special Estate(s) in accordance with the Belgian Covered Bond Regulations;
  - (c) the Belgian Covered Bonds and the other debts and liabilities covered by the Special Estate(s) will not be accelerated. They (can) remain outstanding until their stated maturity, regardless of the opening of liquidation procedures against the issuing credit institution except as provided under (f) and (g) below;
  - (d) the holder of Belgian Covered Bonds and any Other Cover Pool Creditors of claims related to the Belgian Covered Bonds issuance, will retain their rights in the liquidation procedure;
  - (e) the Cover Pool Administrator may, in the interest of the holders of the relevant Belgian Covered Bonds, following consultation with the representative of the holders of the relevant Belgian Covered Bonds and subject to consent of the NBB, transfer the Special Estate and the debts and liabilities related thereto to another institution that

will assume the performance of the obligations in accordance with the initial terms and conditions;

- (f) the Cover Pool Administrator may, following consultation with the representative of the holders of the relevant Belgian Covered Bonds and subject to the consent of the NBB, proceed with the liquidation of a Special Estate and the early redemption of the relevant Belgian Covered Bonds if the Cover Assets are no longer sufficient, or risk to be no longer sufficient, to satisfy the obligations in respect of the Belgian Covered Bonds;
- (g) the Cover Pool Administrator will, following consultation with the NBB and the representative of the holders of the Belgian Covered Bonds, proceed with the entire liquidation, in part or in full, of the Special Estate and the early redemption of the Belgian Covered Bonds if the holders of the Belgian Covered Bonds have approved such liquidation and early redemption by simple majority at a meeting of holders of Belgian covered bonds at which a quorum of at least two thirds of the outstanding principal amount of the Belgian Covered Bonds is present;
- (h) the bankruptcy trustee has the right, following consultation with the NBB, to require the Cover Pool Administrator to return those assets to the General Estate in respect of which it is clear they are no longer required as Cover Assets. The preparatory works to the Covered Bond Law clarify that, when determining whether assets are no longer required as Cover Assets, one must not only take into account the regulatory requirement in view of the Cover Tests (see below 4.c. Statutory Tests – Cover Tests), but also the retention of ratings by external credit rating agencies.

3.15. When the National Resolution Authority uses its powers under Book II, Titel VIII (Resolution Measures) of the Banking Law to dispose (of part) of the estate of the credit institution that also involves the Special Estate, the rights of the holders of the Belgian Covered Bonds (and of any creditors of claims related to the Belgian Covered Bonds issuance) are automatically transferred together with the Cover Assets and assumed as obligations by the transferee (Article 10 of Annex III to the Banking Law).

3.16. The start of liquidation procedures against the issuing credit institution or the revocation of its license as a credit institution does not prevent the issuing credit institution to further perform activities that are necessary or useful to assist the Cover Pool Administrator with its management in order to safeguard the interest of the Holders of Belgian Covered Bonds in respect of the Special Estate. The issuing credit institution may only perform such activities until all obligations in relation to the Special Estate have been satisfied or are extinguished (Article 12, §2 of Annex III to the Banking Law).

**(E) Special protection of the Special Estate against commingling risk**

3.17. The Special Estate benefits from specific protections against commingling risk:

- (a) if amounts held by the issuing credit institution as Collections, cannot be identified within the General Estate at the time a request is made to allocate such amounts to the Special Estate, the Special Estate will benefit from a special revindication right allowing it to exercise a claim on other unencumbered assets within the General Estate. Such assets are identified following consultation between the representative of the Special Estate (either the Cover Pool Administrator or, in absence thereof, the Cover Pool Monitor) and the issuing credit institution (or its liquidator or bankruptcy

trustee) on the basis of criteria determined in the terms and conditions of the Belgian Covered Bonds (Article 3, §2, second paragraph of Annex III to the Banking Law).

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

- (b) in the event of a bankruptcy or the start of liquidation procedures against the issuing credit institution, all amounts and payments relating to Cover Assets that are received by or on behalf of the Special Estate are automatically excluded from the bankrupt estate and exclusively allocated to the Special Estate. The bankruptcy trustee or liquidator will have to account for such amounts and remit them to the Cover Pool Administrator (Article 5 of Annex III to the Banking Law).

#### **4. COVER ASSETS AND TESTS**

##### **(A) Categories of Cover Assets**

4.1. In order to obtain the Specific Authorisation in respect of an issuance or an issuance programme for Belgian Covered Bonds, the issuing credit institution may only include the following types of assets as Cover Assets in the Special Estate (Article 80, §3 of the Banking Law):

- (a) claims secured by a mortgage;
- (b) claims against or guaranteed by (i) a central, regional or local government of an OECD member state or (ii) a central banks of those states or (iii) a public entity of those states or (iv) a multilateral development bank or international organisation;
- (c) participations in securitization vehicles that mainly securitize claims as set out under (a) or (b);
- (d) claims against a credit institution, including amounts deposited with such institution or amounts held by the issuing credit institution; and
- (e) positions resulting from hedging instruments entered into in relation to the Cover Assets or the relevant Belgian Covered Bonds.

##### **(B) Further qualitative requirements for Cover Assets relating to Belgian Covered Bonds**

4.2. The Covered Bonds Royal Decree has further implemented the qualitative requirements for Cover Assets that may be included in a Special Estate related to Pandbrieven.

4.3. Article 3 of the Covered Bonds Royal Decree identifies five categories of qualifying Cover Assets:

- (a) **category 1:** claims secured by (at least) a first ranking mortgage on residential real estate situated in an EEA member state (**Residential Mortgage Loans**) or certain asset-backed securities backed by such claims (RMBS).

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

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

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

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

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

In order for hedging instruments to qualify as eligible Cover Assets (Article 4 of the Covered Bonds Royal Decree):

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

4.4. Collections paid in respect of the abovementioned categories of Cover Assets, may be applied as Cover Assets of the same category until such time such Collections are used for other purposes.

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

**(C) Statutory Tests - Cover Tests**

4.6. In accordance with Article 2, §2 of Annex III to the Banking Law, the Cover Assets comprising the Special Estate must, for the duration of the Belgian Covered Bonds, provide sufficient cover:

- (a) for the payment of principal and interest on the Belgian Covered Bonds,
- (b) for the obligations towards the other creditors of claims related to the Belgian Covered Bonds issuance, and
- (c) for the management of the Special Estate.

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

4.7. In respect of Belgian Covered Bonds, this rule has been further implemented in article 5 of the Covered Bonds Royal Decree which provides for:

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

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

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

**(D) Statutory Tests – Liquidity Test**

4.9. In accordance with Article 13 of Annex III to the Banking Law, the terms and conditions applicable to Belgian Covered Bonds need to include mechanics to ensure that the Belgian Covered Bonds are repaid within the contractually agreed term.



- 4.10. In respect of Belgian Pandbrieven, Article 7 of the Covered Bonds Royal Decree has implemented this rule by imposing that with respect to the Special Estate, the Cover Assets must, at any time, be able to generate sufficient liquidity or include enough liquid assets to enable the Issuer to make all unconditional payments on the Belgian Pandbrieven (including principal, interest and other costs) falling due during the following 6 months (the **Liquidity Test**). The NBB Covered Bonds Regulation further specifies the conditions to be satisfied in order for an asset to be considered a liquid asset.
- 4.11. In order to satisfy the Liquidity Test, the issuing credit institution may enter into a liquidity facility with another EEA credit institution that, in accordance with article 120 of the CRR, falls within credit quality category 1 and that is not part of the consolidation circle of the group to which the issuing credit institution belongs. The liquidity that is made available pursuant to the liquidity facility will be taken into account for the calculation of the Liquidity Test, provided that (i) the liquidity facility can be used only for payment on the Belgian Covered Bonds; and (ii) the funds drawn under the liquidity facility cannot be used for any other activities.
- 4.12. In relation to the Mortgage Pandbrieven issued under the Programme, if an Extended Maturity Date is specified in the applicable Final Terms for a Series of Mortgage Pandbrieven, payments of amounts due on the Maturity Date will not be considered as unconditional for the purpose of the Liquidity Test.

#### **(E) Valuation of Cover Assets for the Cover Tests**

- 4.13. For the purposes of the Cover Tests, Article 6 of the Covered Bonds Royal Decree specifies further valuation rules for the Cover Assets in the Special Estate:
- (a) for Cover Assets of category 1 (claims secured by a residential mortgage), the value will be equal to the lowest of (i) the amount of the claim, (ii) 80% of the sales value of the mortgaged real estate and (iii) the value of the mortgage,
- whereby*, the value of the mortgage, is determined as follows:
- (i) if the real estate is located in Belgium and is not secured by mortgage mandate, the amount of the mortgage registered in first rank plus, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s));
- (ii) if the real estate is located in Belgium and in addition to the mortgage, also a mortgage mandate has been granted to secure the claim, the value of the mortgage is the lowest of the following two amounts:
- a. the amount of the mortgage registered in first rank plus, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s)) plus the amount for which the mortgage mandate has been granted; and
- b. the amount of the mortgage registered in first rank plus, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s)) divided by 0.6;
- (iii) if the real estate is not situated in Belgium, the amount of the mortgage registered in first rank plus, as the case may be, the amount of any subsequent ranks (provided no other creditors have registered before such subsequent rank(s)).

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

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

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

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

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

- (e) the Cover Assets of category 5 are not taken into account for the calculation of the Cover Tests;
- (f) the Cover Assets for which there is a payment default, the value is equal to zero. As soon as an asset is more than 30 days in arrears, it can only be taken into account for 50% of its value as determined in accordance with the above valuation rules;

- (g) in case a mortgage secures multiple claims and not all claims are included in the Special Estate, the value of the mortgage and of the real estate are allocated to the Cover Assets in the Special Estate based on the priority rules that can be established in the terms and conditions of the Belgian Pandbrieven.

4.14. In the event an asset included in the Special Estate (or collateral securing such asset) is governed by foreign law, such asset will only be taken into account for compliance with the Statutory Tests if such foreign law does not prevent that such assets will provide an exclusive right of recourse to the holders of the Belgian Pandbrieven (or the other creditors of claims related to the Belgian Pandbrievenissuance) (Article 3, §7 of the Covered Bonds Royal Decree).

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

5.1. In accordance with Article 15 of Annex III to the Banking Law, a credit institution that has issued Belgian Covered Bonds has the following special obligations in terms of follow-up and administration of the Belgian Covered Bonds:

- (a) in relation to each Special Estate, it needs to organise a special administration for the relevant Belgian Covered Bonds and the Cover Assets. This special administration entails, amongst others, the obligation to keep a register for each issue of Belgian Covered Bonds or, as the case may be, for all issues under an issuance programme in which all Cover Assets are registered (the **Cover Register**).

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

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

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

Belgian Covered Bond Regulations, the terms and conditions of the Belgian Covered Bonds and the contractual agreements;

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

## **6. SPECIFIC SUPERVISION**

### **(A) Cover Pool Monitor**

- 6.1. As soon as Belgian Covered Bonds are issued, the issuing credit institution has to appoint, following the advice of the NBB, a cover pool monitor (*portefeuillesurveillant/surveillant de portefeuille*) (the **Cover Pool Monitor**) for each issuance of, or for an issuance programme of, Belgian Covered Bonds (Article 16, §1 of Annex III to the Banking Law and Article 10 of the Covered Bonds Royal Decree).
- 6.2. The Cover Pool Monitor will report to the NBB on the compliance of the issuing credit institution with the Belgian Covered Bond Regulations:
  - (a) prior to an issuance of Belgian Covered Bonds, the Cover Pool Monitor reports to the NBB as to whether the credit institution is able to comply with the qualitative requirements of the Cover Assets, the limitations in respect of the Cover Assets, the level of cover and the available liquidity, and the requirements in respect of correct registration in the Cover Register;
  - (b) following the issuance of Belgian Covered Bonds, these verifications are performed on an annual basis;
  - (c) the compliance with the Cover Tests, the Liquidity Test and the registration in the Cover Register are however verified on a monthly basis.
- 6.3. Once a year, the Cover Pool Monitor reports to the NBB on the results of its activities. As soon as the Cover Pool Monitor finds that the credit institution does not longer comply with the above requirements or the other requirements under the Belgian Covered Bond Regulations, it will immediately inform the NBB and the credit institution. The content and format of its reports are further set out in the NBB Cover Pool Monitor Regulation.
- 6.4. The NBB can also request that the cover pool monitor performs other tasks and verifications.
- 6.5. The Cover Pool Monitor needs to be a recognized auditor of credit institutions other than the actual auditor of the issuing credit institution. Prior to terminating the appointment of the

Cover Pool Monitor, the credit institution needs to obtain the advice of the NBB. In case the Cover Pool Monitor wants to resign, it will first need to inform the NBB.

- 6.6. The fees and cost of the Cover Pool Monitor must be borne by the issuing credit institution.
- 6.7. David De Schacht, accredited auditor for financial institutions, domiciled at 3391 Tielt-Winge, Attenrodestraat 43 and Jurgen De Raedemaeker, accredited auditor for financial institutions, domiciled at 3210 Lubbeek, Molendries 42, acting jointly and severally, have been appointed as Cover Pool Monitor in relation to the Special Estate pursuant to Article 16, §1 of Annex III to the Banking Law by the Issuer pursuant to the Cover Pool Monitor Appointment Agreement. The appointment of David De Schacht and Jurgen De Raedemaeker as Cover Pool Monitor was approved by the NBB on 15 March 2016.

## **(B) NBB**

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

## **7. OTHER PARTIES**

### **(A) Cover Pool Administrator**

- 7.1. Under certain circumstances, the NBB may or will appoint a Cover Pool Administrator to take over management of the Special Estate (see above 3.C *Management of the Special Estate*).
- 7.2. The required qualifications and powers of a Cover Pool Administrator are further specified in the Cover Pool Administrator Royal Decree.
- 7.3. The Cover Pool Administrator may not be the same entity as the liquidator of the issuing credit institution. Before the appointment of a party as Cover Pool Administrator, the NBB will assess whether such party has the required expertise and appropriate experience in order to manage the Cover Assets comprised in the Special Estate, is professionally reliable and has

an appropriate organisation for the activities that it will have to perform as Cover Pool Administrator. An EEA credit institution that (i) has issued Mortgage Pandbrieven relating to similar cover assets, or (ii) manages portfolios of assets that would qualify as Cover Assets, is deemed to satisfy the requirements of the Cover Pool Administrator Royal Decree (Article 3).

7.4. In order to comply with the obligations set out in the Belgian Covered Bonds Regulations, the Cover Pool Administrator has, inter alia, the power to take the following actions:

- (a) to make interest and principal payments in respect of the Belgian Covered Bonds deriving from Collections received or, as the case may be, available liquidity lines;
- (b) to organise the receipt of Collections (including the enforcement of payments in arrears due on Cover Assets);
- (c) to sell Cover Assets;
- (d) to invest Collections until these are paid out (in assets that would be eligible as Cover Assets);
- (e) to renegotiate the terms of Cover Assets in arrears;
- (f) to enter into hedging instruments;
- (g) to enter into liquidity lines to ensure compliance with the contractual terms of the relevant Belgian Covered Bonds; and
- (h) to perform administrative task of the issuing credit institution in relation to the issued Belgian Covered Bonds.

7.5. The Cover Pool Administrator will perform the Statutory Test, report on such tests to the NBB and the representative of the holders of the Belgian Covered Bonds on a quarterly basis and ensure the reporting as prescribed by the Covered Bonds Royal Decree and the NBB Covered Bonds Regulation.

7.6. For each transaction (in particular a sale of Cover Assets) that entails the risk that the Statutory Tests or the conditions of the Belgian Covered Bonds will no longer be complied with, the Cover Pool Administrator needs to obtain the approval of the NBB and the representative of the holders of the Belgian Covered Bonds.

**(B) Representative of the holder of the Belgian Covered Bonds**

7.7. For the holders of Belgian Covered Bonds of a specific issue or of the same issuance programme, one or more representatives can be appointed either by the issuing credit institution prior to the issuance of the Belgian Covered Bonds or by the general meeting of the holders of the Belgian Covered Bonds after the issuance (Article 14, §2 of Annex III to the Banking Law).

7.8. The powers of the representative of the holders of the Belgian Covered Bonds are determined either in the terms and conditions of the Belgian Covered Bonds or by the general meeting of the holders of the Belgian Covered Bonds. The general meeting of the holders of the Belgian Covered Bonds may at all times revoke the appointment of such representative of the holders of the Belgian Covered Bonds provided at the same time one or more substitute representative are appointed.

- 7.9. The representative of the holders of the Belgian Covered Bonds may also represent other creditors of claims related to the Belgian Covered Bonds issuance provided it is mandated by such creditors.
- 7.10. Stichting BNP Paribas Fortis Mortgage Pandbrieven Representative has been appointed by the Issuer as representative of the Mortgage Pandbrieven Holders in relation to the Programme pursuant to Article 14, §2 of Annex III to the Banking Law in accordance with the terms of the Mortgage Pandbrieven Holders' Representative Appointment Agreement. The tasks and duties of Stichting BNP Paribas Fortis Mortgage Pandbrieven Representative as representative of the Mortgage Pandbrieven Holders (the **Mortgage Pandbrieven Holders' Representative**) are further described in the Belgian Covered Bond Regulations, the Conditions and the Mortgage Pandbrieven Holders Representative Agreement.

## 8. MOBILISATION LAW

- 8.1. In accordance with the provisions of the Covered Bond Law and the Covered Bonds Royal Decree, Cover Assets that are registered into the Cover Register will form part of the Special Estate providing an exclusive recourse to the holders of Belgian Covered Bonds and the Other Creditors of claims related to the Belgian Covered Bonds issuance. The Mobilisation Law that was adopted on the same date as the Covered Bond Law provides for certain additional protections in respect of the segregation of Cover Assets in the Special Estate. These include, inter alia, the following:

- (a) the registration of Cover Assets in a Cover Register is valid and effective in case the registration:
- (i) precedes the start of insolvency proceedings, an attachment or a situation of concurrence of creditors, or
  - (ii) occurs on the date of the opening of such proceedings, provided that the credit institution was rightfully ignorant (*gewettigde onwetendheid/ignorance légitime*) of the start of such proceedings.

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

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

the Special Estate and the General Estate (Article 81quinquies of the Belgian act on mortgages (*hypothekwet/loi hypothécaire*) (the **Mortgage Act**);

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



## SECTION 5 – DESCRIPTION OF PRINCIPAL DOCUMENTS

### 1. INTRODUCTION

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

the amendment, supplement, replacement and/or restatement of such agreement and a reference to any Programme Document shall be deemed a reference to such agreement as the same may from time to time be amended, supplemented, replaced and/or restated.

## **2. PROGRAMME AGREEMENT**

- 2.1. On or about the date of the Base Prospectus, the Issuer, the Arrangers and the Dealers enter into the Programme Agreement. The Programme Agreement will include the arrangements under which Mortgage Pandbrieven may from time to time be agreed to be issued by the Issuer to, and subscribed by, the Dealers. The Programme Agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Mortgage Pandbrieven, the price at which such Mortgage Pandbrieven will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription.
- 2.2. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Mortgage Pandbrieven.

## **3. MORTGAGE PANDBRIEVEN HOLDERS REPRESENTATIVE AGREEMENT**

### **3.1 Introduction**

- (a) Pursuant to the terms of the Mortgage Pandbrieven Holders Representative Agreement dated on 12 April 2016, Stichting BNP Paribas Fortis Mortgage Pandbrieven Representative has been appointed as the Mortgage Pandbrieven Holders' Representative of the Mortgage Pandbrieven Holders (the **Mortgage Pandbrieven Holders' Representative**).
- (b) The Mortgage Pandbrieven Holders' Representative has been appointed by the Issuer as representative of the Mortgage Pandbrieven Holders in accordance with Article 14, §2 of Annex III to the Banking Law upon the terms and conditions set out in the Mortgage Pandbrieven Holders Representative Agreement and the section "*Meeting Rules of the Mortgage Pandbrieven Holders*" of this Base Prospectus.
- (c) The Mortgage Pandbrieven Holders' Representative can also be appointed to represent the Other Cover Pool Creditors provided that those Other Cover Pool Creditors agree with such representation.

### **3.2 Powers, authorities and duties**

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

### **3.3 Retirement and removal**

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

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

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

### **3.5 Amendments**

- (a) The Mortgage Pandbrieven Holders' Representative may upon the request of the Issuer on behalf of the Mortgage Pandbrieven Holders and without the consent or sanction of any of the Mortgage Pandbrieven Holders of any Series or the Other Cover Pool Creditors it represents at any time and from time to time, concur with the Issuer or any other person in making:
  - (i) any modification (other than in respect of a Basic Term Change) of the terms and conditions applying to the Mortgage Pandbrieven of one or more Series (including the Conditions) or any Programme Document provided that in the sole opinion of the Mortgage Pandbrieven Holders' Representative such modification is not materially prejudicial to the interests of any of the Mortgage Pandbrieven Holders of such Series; or
  - (ii) any modification of the terms and conditions applying to Mortgage Pandbrieven of any one or more Series (including the Conditions) or any Programme Document which is in the sole opinion of the Mortgage Pandbrieven Holders' Representative of a formal, minor or technical nature or is to correct a manifest error or to comply with the mandatory statutory provisions or would cause such Mortgage Pandbrieven or such Programme Documents to better reflect or comply with the provisions and requirements of the Belgian Covered Bond Regulations;
- (b) Any such modification shall be binding on the Mortgage Pandbrieven Holders.
- (c) In no event may such modification be a Basic Term Change. Reference is made to section "*Meeting Rules of the Mortgage Pandbrieven Holders*" of this Base Prospectus for further details in this respect.

### **3.6 Waivers**

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

### **3.7 Conflicts of interest**

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

## **4. AGENCY AGREEMENT**

- 4.1 Under the Agency Agreement, the Domiciliary Agent, the Principal Paying Agent, the Paying Agent, the Registrar and the Listing Agent will undertake to ensure the payment of the sums due on the Mortgage Pandbrieven and perform all other obligations and duties imposed on it by the Conditions and the Agency Agreement.
- 4.2 In addition, the Domiciliary Agent will perform the tasks described in the Clearing Services Agreement to be dated on or about 16 September 2016, which comprise inter alia providing the NBB as operator the Securities Settlement System with information relating to the issue of the Mortgage Pandbrieven, the Base Prospectus and other documents required by law.
- 4.3 The Listing Agent will cause an application to be made to Euronext Brussels for the admission to trading of the Mortgage Pandbrieven.
- 4.4 The Registrar will maintain a register for the Registration of Registered Mortgage Pandbrieven which shall show the principal amount of Registered Mortgage Pandbrieven (as well as their date of issue and the Special Estate relating to such Registered Mortgage Pandbrief). The Register shall be available for inspecting by the Issuer, Domiciliary Agent or any person authorised by any of them. The Registrar will cancel any redeemed Mortgage Pandbrieven.
- 4.5 The Issuer shall pay or procure the payment of such commissions in respect of the services of the Domiciliary Agent, the Paying Agents and the Listing Agent under the Agency Agreement as shall be agreed between the Issuer and the relevant Agent.
- 4.6 The Issuer and each Agent may at any time, subject to prior written notice, terminate the appointment of a relevant Agent under the Agency Agreement. In addition, in certain events, the Issuer may terminate the appointment of an Agent forthwith. The termination of the

appointment of an Agent (whether by the Issuer or by the resignation of the Agent) shall not be effective unless upon the expiry of the relevant notice there is:

- (a) a Domiciliary Agent and a Principal Paying Agent (which may be the same entity) that will at all times be a participant in the Securities Settlement System;
- (b) so long as the Mortgage Pandbrieven are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent (which may be the Domiciliary Agent) that has its specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority (which, so long as the Mortgage Pandbrieven are listed on Euronext Brussels, shall be Brussels);
- (c) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directives;
- (d) so long as there are Registered Mortgage Pandbrieven, a Registrar (which may be the Issuer itself); and
- (e) in the case of Floating Rate Mortgage Pandbrieven, a Calculation Agent (which may be the Issuer itself).

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

## **5. COVER POOL MONITOR AGREEMENT**

### **5.1. Introduction**

- (a) Pursuant to the terms of the Cover Pool Monitor Agreement, David De Schacht, accredited auditor for financial institutions, domiciled at 3391 Tielt-Winge, Attenrodestraat 43 and Jurgen De Raedemaeker, accredited auditor for financial institutions, domiciled at 3210 Lubbeek, Molendries 42, acting joint and severally have been appointed as cover pool monitor pursuant to 16, §1 of Annex III to the Banking Law. The appointment of David De Schacht and Jurgen De Raedemaeker jointly as Cover Pool Monitor was approved by the NBB on 15 March 2016 as stated in a confirmation letter dated 16 March 2016.
- (b) Each of David De Schacht and Jurgen De Raedemaeker is a recognized banking auditor (*revisor/réviseur*) other than the statutory auditor of the Issuer (Article 11 §3 of the Covered Bonds Royal Decree). During the term of the appointment of Cover Pool Monitor, David De Schacht and Jurgen De Raedemaeker shall not act as statutory auditor of the Issuer.

### **5.2. Tests and Reporting**

- (a) The Cover Pool Monitor has agreed to perform the tasks and services entrusted to a cover pool monitor under the Belgian Covered Bond Regulations in relation to the Issuer as issuer of Belgian Covered Bonds and the Special Estate. These tasks include, inter alia:

- (i) the issue of periodic reports to the NBB on compliance by the Issuer with the legal and regulatory framework in relation to Belgian Covered Bonds, including (among other things) the qualitative requirements in relation to the cover assets, the requirements for the cover register and the Statutory Tests; and
  - (ii) such other tasks and verifications as may be requested by the NBB.
- (b) Prior to the first issuance of Mortgage Pandbrieven, the Cover Pool Monitor will among other things:
- (i) verify that all requirements applicable to the Cover Assets are fulfilled;
  - (ii) analyse the Issuer's assessment of its organisational capacity to issue Mortgage Pandbrieven, including the Issuer's risk management policies to mitigate interest rate and currency exchange risks and report its findings to the NBB; and
  - (iii) perform the procedures set out in the annex to the NBB Cover Pool Monitor Regulation and such other procedures as it deems necessary to assess the Issuer's organisational suitability.
- (c) Following the issuance of Mortgage Pandbrieven, the Cover Pool Monitor will among other things:
- (i) verify, at least once a year whether all requirements applicable to the Cover Assets are fulfilled;
  - (ii) verify at least once a month whether the Statutory Tests and the requirements in relation to the Cover Register are met;
  - (iii) immediately inform the NBB and the Issuer if the Issuer does not comply with such requirements.
- (d) The Cover Pool Monitor shall perform its tasks in accordance with the provisions of the Belgian Covered Bond Regulations and in particular the NBB Cover Pool Monitor Regulation

### 5.3. Termination of appointment

- (a) The Issuer may terminate the appointment of the Cover Pool Monitor on 30 calendar days' prior written notice provided that it has the prior consent of the NBB.
- (b) The Cover Pool Monitor may, at any time, resign by giving at least 30 calendar days' prior written notice to the Issuer and the NBB (with such notice stating the reasons for its resignation). The Cover Pool Monitor has agreed to provide its services under the Cover Pool Monitor Agreement during an initial period expiring on 15 March 2019 (the **Initial Term**), which will thereafter be tacitly renewed for additional one calendar year periods (each a **Renewal Period**) provided that the Cover Pool Monitor may resign from its appointment under the Cover Pool Monitor Agreement upon providing the Issuer, the Mortgage Pandbrieven Holders' Representative and the NBB with at least 3 calendar months days' prior written notice before the end of the Initial Term or the end of the additional Renewal Period. Notwithstanding the foregoing, the Cover Pool Monitor may with the prior consent of the NBB resign

from its appointment immediately by giving written notice to the Issuer and the NBB in the event a professional conflict of interest for the Cover Pool Monitor is caused by an action of the Issuer (or its shareholders) or the Mortgage Pandbrieven Holders' Representative or in the event the performance of its services would become illegal following a change of law. The Cover Pool Monitor is required to resign if it becomes the statutory auditor of the Issuer or otherwise becomes ineligible to act as a Cover Pool Monitor pursuant to the Belgian Covered Bond Regulations and the NBB Cover Pool Monitor Regulation.

- (c) Upon the Cover Pool Monitor giving 30 calendar days' prior written notice of resignation, the Issuer shall immediately use all reasonable endeavours to appoint a replacement (such replacement to be approved by the NBB which agrees to perform the duties of the Cover Pool Monitor set out in the Belgian Covered Bond Regulations and in the Cover Pool Monitor Agreement).

#### 5.4. Costs

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

### 6. SUBSCRIPTION AGREEMENT

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

### 7. SPECIAL ESTATE ADMINISTRATION AGREEMENT

- 7.1. The Special Estate Administration Agreement provides that all Mortgage Pandbrieven issued under the Programme shall be subject to and have the benefit of certain common terms (the **Special Estate Administration Terms**) regardless of whether the Mortgage Pandbrieven are issued under the Base Prospectus or not. These Special Estate Administration Terms specify that all Mortgage Pandbrieven Holders will be represented by the Mortgage Pandbrieven Holders' Representative and will benefit from a recourse to the same Special Estate. Such recourse shall only extend to the Mortgage Pandbrieven Holders and the Other Cover Pool Creditors under the Programme.

- 7.2. The other Special Estate Administration Terms provided for in the Special Estate Administration Agreement are:

- (a) the establishment and maintenance of the Cover Register in accordance with the requirements of the Belgian Covered Bond Regulations;
- (b) compliance of the Special Estate with the Statutory Tests;
- (c) the exclusion of *RMBS/ABS* from the Special Estate;
- (d) the provision of the Investor Report;
- (e) the events of default to apply to all Series of Mortgage Pandbrieven (which are the same as those set out in Condition 8.1 (*Events of Default*));

- (f) the priorities of payment to apply following an Event of Default or an early repayment of the Mortgage Pandbrieven (which are the same as those set out in Condition 9 (*Priority of Payment*));
- (g) the types of assets which are to be used by the Issuer to comply with its revindication obligations should Cover Assets become commingled with the General Estate of the Issuer (which are the same as those set out in Condition 12.1 (*Criteria for the transfer of assets by the General Estate to the Special Estate*));
- (h) the priority of application for recoveries from security which secures both Cover Assets (to which such recoveries shall first be applied until such Cover Assets have been satisfied in full) and assets forming part of the General Estate (which shall only receive such recoveries when the relevant Cover Assets have been repaid in full);
- (i) the collateral provided under Hedging Agreements which are Cover Assets shall only be used for obligations in relation to the Special Estate and in accordance with the relevant Hedging Agreement; and
- (j) the appointment and maintenance of the appointment of the Cover Pool Monitor.

7.3. The Special Estate Administration Agreement may only be amended by a Programme Resolution (as defined in the Mortgage Pandbrieven Holders Representative Agreement). However, the Special Estate Administration Agreement may be amended in writing between the Issuer, the Mortgage Pandbrieven Holders' Representative and the Cover Pool Monitor, without the agreement or consent of the Mortgage Pandbrieven Holders if:

- (a) the Mortgage Pandbrieven Holders' Representative is of the opinion that the amendment will not materially prejudice the interests of the Mortgage Pandbrieven Holders; or
- (b) the Mortgage Pandbrieven Holders' Representative is of the opinion that the amendment is of a formal, minor or technical nature; or
- (c) the Mortgage Pandbrieven Holders' Representative is of the opinion that the amendment is to correct a manifest error or to comply with mandatory statutory provisions; or
- (d) to better reflect the requirements and provisions of the Belgian Covered Bond Regulations.

7.4. Upon the Issuer's request, the Mortgage Pandbrieven Holders' Representative shall, without the consent or sanction of any of the Mortgage Pandbrieven Holders, concur with the Issuer in making any modifications to the Conditions, to the Meeting Rules or to the Special Estate Administration Terms (together with any requisite or consequential modifications to the Programme Documents) that the Issuer may decide in its discretion to request in order to comply with mandatory provisions of law or with any criteria of a Rating Agency which may be published after the signing of the initial agreement(s) for the issuance of and subscription for the Mortgage Pandbrieven and which the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing it reasonably believes are necessary to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Series of Mortgage Pandbrieven, provided that the Mortgage Pandbrieven Holders' Representative shall not be obliged to agree to any modifications which, in the sole opinion of the Mortgage Pandbrieven Holders' Representative, as applicable, would have



effect of (i) exposing the Mortgage Pandbrieven Holders' Representative, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or (ii) increasing the obligations or duties, or decreasing the protections, of the Mortgage Pandbrieven Holders' Representative, as applicable in the Meeting Rules or the Conditions. For avoidance of doubt, such modification may include, without limitation, modifications which would allow any hedge counterparty and/or liquidity facility provider not to post collateral in circumstances where it previously would have been obliged to do so.

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

## 8. CLEARING SERVICES AGREEMENT

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

## 9. HEDGING AGREEMENTS

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

## 10. LIQUIDATION FACILITY AGREEMENTS

- 10.1. The Issuer or, upon its appointment by the NBB, the Cover Pool Administrator may, from time to time during the Programme, enter into liquidity facility agreements (the **Liquidity Facility Agreements**) in relation to the Special Estate with one or more liquidity facility

providers (the **Liquidity Facility Providers**) in order to improve the liquidity of the Special Estate.

- 10.2. The distribution or priority rules between the obligations towards Mortgage Pandbrievn Holders and the Liquidity Facility Providers are determined in the Conditions. Reference is made to Condition 9 (*Priority of Payments*) in this respect.

## SECTION 6 – COVER ASSETS

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

### 1. Eligible Assets - Types

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

- (a) Residential Mortgage Loans (category 1): mortgage receivables secured by a mortgage on residential real estate located in the European Economic Area (**EEA**). With respect to residential mortgage loans, the Issuer must be the beneficiary of a first ranking mortgage. Mortgage receivables relating to residential real estate under construction or in development can only be included in the Special Estate if they do not represent more than 15% of all the residential mortgage loans included in the Special Estate.

Residential real estate is defined as real property that is destined for housing or for rent (*huur/location*).

- (b) Exposures to public sector entities (category 3): receivables on or guaranteed or insured by (i) central, regional or local authorities of EEA Member States that are member of the organisation for Economic Co-operation and Development (**OECD**), (ii) central banks of these member states, (iii) public sector entities of these member states or (iv) multilateral development banks or international organisations that qualify for a 0% risk weighing as set out in annex VI, 20 of Directive 2006/48/EC of 14 June 2006 (the **CRD Directive**), but excluding in each case, public sector asset backed securities (**ABS**).
- (c) Exposures to credit institutions (category 4): claims against credit institutions that have the status of credit institution under the law of a member state of the OECD and cash held on account with these credit institutions, as well as sums held by the issuing credit institution.
- (d) Hedging Agreements (category 5): positions resulting from one or more Hedging Agreements linked to one or more Cover Assets or Mortgage Pandbrieven concerned, as well as sums paid under these positions may also qualify as Cover Assets. The counterparty of these instruments must have the status of a credit institution under an OECD member state.

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

The Hedging Agreements may only be included in the Special Estate if reorganisation measures or winding-up proceedings opened against the Issuer do not automatically result in the early termination (close-out) of these Hedging Agreements and if the Hedging Counterparty cannot invoke such procedures in order to claim the

termination (close-out) of these Hedging Agreements. The Issuer institution may not include the derivatives in one of the novation or netting agreements to which it is a party.

The Issuer must be able to demonstrate that the default risk of the Hedging Counterparty is limited.

Hedging Agreements registered in the Cover Register are part of the Special Estate.

When the counterparty is a group-related entity of the Issuer, it must have the status of credit institution in an EEA Member State and must benefit from the credit quality step 1 (as defined in article 120 of the CRR).

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

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

## **2. Main category of Cover Asset – Residential Mortgage Loans**

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

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

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

## **3. Description of the Residential Mortgage Loans**

### **(a) Interest Rates**

The Residential Mortgage Loans comprising Cover Assets bear:

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

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

**(b) Prepayment Penalties**

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

**(c) Default Interest**

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

**(d) Types of Residential Mortgage Loans**

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

- (i) **Linear Residential Mortgage Loan** means a mortgage loan under which the Borrower has to make a periodical repayment of principal which remains the same for the duration of the loan, so that the debt gradually decreases. Due to the decreasing outstanding balance, the interest payment decreases proportionally. As a result, the gross mortgage costs (interest plus repayment of principal) decreases over time;
- (ii) **Annuity Residential Mortgage Loan** means a mortgage loan under which the Borrower has to make a periodical repayment which remains the same for the duration of the loan consisting partly of interest and partly of principal, whereby the interest payments decrease and the repayments of principal increase. As of 1 January 1995, only monthly based Annuity Mortgage Loan can be offered. The monthly payment has been calculated based on monthly scheduled payments in arrears, as a result of which the distribution between the interest and principal component alters every month.
- (iii) **Interest-Only Residential Mortgage Loan** means a mortgage loan under which the Borrower does not have to reimburse principal amount until maturity of such loan, but only makes interest payments during the lifetime of the loan. The interest payment can be monthly, quarterly, semi-annually, or annually; and
- (iv) **Reconstitution Residential Mortgage Loan** means a Residential Mortgage Loan the terms of which provide that on its final maturity date the proceeds of a Reconstitution Insurance Policy will be used for its repayment. Under this type of Residential Mortgage Loan the Borrower does not repay any principal, but instead pays life insurance premiums to the Insurance Company and interest on the Mortgage Loans. The premiums are used to provide death cover and to accumulate capital. For that purpose the Borrower or a third party who has taken out the insurance on the life of the

Borrower, transfers or pledges to the Originator its rights to payment and under the relevant Reconstitution Insurance Policy or appoints the Originator as the beneficiary of such policy.

A **Reconstitution Insurance Policy** is either an Investment Insurance Policy or a Savings Insurance Policy. An **Investment Insurance Policy** is a life insurance policy under which the premiums paid by the Borrower or the third party that has taken out the policy on the life of the Borrower, are invested in an investment fund. This type of policy is always combined with a prior death coverage. Upon maturity of the Reconstitution Loan the investments will be sold and the proceeds used to repay the loan (whether in full or in part, depending on the value of the investments). Should the Borrower die the proceeds will be used to repay the loan. **Savings Insurance Policy** is a life insurance policy under which the premiums are used to accumulate capital at a guaranteed minimum rate of return. This type of policy is also always combined with a prior death coverage.

**(e) Loan Security**

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

**(i) Mortgage**

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

Most of the Residential Mortgage Loans are secured by a Mortgage which is used to also secure all other amounts which the Borrower owes or in the future may owe to the Issuer (*alle sommen hypotheek/hypothèque pour toute somme*) (a **All Sums Mortgage**).

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

Other Mortgage Loans have been originated under credit facilities which have the form of a revolving facility (*kredietopening / ouverture de crédit*)(a **Credit Facility**). The Mortgage that is granted as security for this type of loans is used to secure all advances (*voorschotten / avances*) made available under such revolving facility. In many cases the Mortgage that is created in respect of this type of loans is also an All Sums Mortgage

Pursuant to article 81quater of the Mortgage Act, an advance granted under a revolving facility secured by a mortgage can be registered in the Cover Register. Such advance will benefit from the privileges and mortgages securing the revolving facility. The advance registered in the Cover Register

shall, in respect of the mortgage securing the revolving facility, (i) rank in priority to further advances that are granted after the date of registration and (ii) have equal ranking with other advances which existed at the time of the registration, unless stipulated otherwise in the issue conditions.

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

(ii) Mortgage Mandate

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

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

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

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

## SECTION 7 - DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously within this Base Prospectus and have been filed with the *Commission de Surveillance du Secteur Financier* (CSSF) shall be deemed to be incorporated in, and to form part of, this Base Prospectus.

- The half-yearly report 2016 of BNPPF including, among other things:
  - (a) the unaudited profit and loss account of BNPPF for the first half of 2016 page 17
  - (b) the unaudited statement of net income and changes in assets and liabilities recognised directly in equity for the first half of 2016 page 18
  - (c) the unaudited balance sheet of BNPPF at 30 June 2016 page 19
  - (d) the unaudited cash flow statement for the first half of 2016 Page 20
  - (e) the unaudited statement of changes in shareholders' equity between 1 January 2015 and 30 June 2016 page 21
  - (f) the unaudited minority interests between 1 January 2015 and 30 June 2016 page 22
  - (g) the notes to the consolidated interim financial statements pages 23-85
  - (h) the report of the accredited statutory auditors pages 86-88
- The press release of the Issuer dated 29 August 2016 on 2016 first half year results, available on [www.bnppparibasfortis.com](http://www.bnppparibasfortis.com).
- The 2015 annual report of BNPPF including, in particular, the audited annual financial statements of BNPPF (including the unqualified statutory auditor's report of the joint statutory auditors on the consolidated financial statements for the year ended 31 December 2015 (including their opinion with explanatory paragraphs)), including, among other things:
  - (a) the audited consolidated profit and loss account of BNPPF for the financial year ended 31 December 2015 page 43
  - (b) the statement of net income and changes in assets and liabilities recognised directly in equity of BNPPF for the financial year ended 31 December 2015 page 45
  - (c) the balance sheet of BNPPF for the financial year ended 31 December 2015 page 46



- (d) the cash flows statement of BNPPF for the financial year ended 31 December 2015 page 47
- (e) statement of changes in shareholders' equity between 1 January 2014 and 31 December 2015 page 48
- (f) the notes to the consolidated balance sheet and income statement for the financial year ended 31 December 2015, the segment content, risk management and capital adequacy, financing and guarantee commitments, salaries and employee benefits and additional information pages 49-204
- (g) the joint statutory auditor's report to the general shareholder's meeting on the consolidated financial statements of BNPPF as of and for the year ended 31 December 2015 (including their opinion with explanatory paragraphs) pages 205-209
- (h) the section headed 'Information related to Article 523 of the Belgian companies code' describing decisions of the Board of BNPPF of 23 February 2015 and of 19 March 2015 pages 208-210
- The 2014 annual report of BNPPF including, in particular, the audited annual financial statements of BNPPF (including the unqualified statutory auditor's report of the joint statutory auditors on the consolidated financial statements for the year ended 31 December 2014 (including their opinion with explanatory paragraphs)), including, among other things:
  - (i) the audited consolidated profit and loss account of BNPPF for the financial year ended 31 December 2014 page 44
  - (j) the statement of net income and changes in assets and liabilities recognised directly in equity of BNPPF for the financial year ended 31 December 2014 page 45
  - (k) the balance sheet of BNPPF for the financial year ended 31 December 2014 page 46
  - (l) statement of changes in shareholders' equity between 1 January 2013 and 31 December 2014 page 47
  - (m) the audited consolidated statement of cash flows of BNPPF for the financial year ended 31 December 2014 page 49
  - (n) the notes to the consolidated balance sheet and income statement for the financial year ended 31 December 2014, the segment content, risk management and capital adequacy, financing and guarantee commitments, salaries and employee benefits and additional information pages 51-220
  - (o) the joint statutory auditor's report to the general shareholder's meeting on the consolidated financial statements of BNPPF as pages 225-229

of and for the year ended 31 December 2014 (including their opinion with explanatory paragraphs)

- (p) the sections headed 'Indemnification of Directors' and 'Remuneration and benefits awarded to the BNPPF Directors' describing decisions of the Board of BNPPF of 10 July 2014 and 20 March 2014 respectively pages 235-236

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

Any other information incorporated by reference that is not included in the cross-reference lists above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the **Prospectus Regulation**).

This Base Prospectus, any supplements to this Base Prospectus and the documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer, on its website ([www.bnpparibasfortis.com](http://www.bnpparibasfortis.com)) and the website of Euronext Brussels ([www.nyx.com](http://www.nyx.com)).

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

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

## **SECTION 8 - GENERAL DESCRIPTION OF THE MORTGAGE PANDBRIEVEN**

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

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

## SECTION 9 - FORM OF THE MORTGAGE PANDBRIEVEN

### 1. FORM

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

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

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

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

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

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

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

## **2. TITLE AND TRANSFER**

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

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

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

## **3. PAYMENTS**

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

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

## SECTION 10 - TERMS AND CONDITIONS OF THE MORTGAGE PANDBRIEVEN

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

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

The Issuer may also issue from time to time Mortgage Pandbrieven under the Programme which shall be subject to terms and conditions and/or final terms not contemplated by this Base Prospectus, in the case of any Mortgage Pandbrieven which are neither to be listed or admitted to trading on a regulated market within the European Economic Area nor offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive. In such circumstances, the relevant forms of terms of such Mortgage Pandbrieven will be set out in a schedule to the Agency Agreement.

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

The National Bank of Belgium (*Nationale Bank van België/Banque Nationale de Belgique*) (the **NBB** or the **Competent Authority**) has admitted the Issuer to the list of credit institutions that have obtained the authorisation to issue Belgian Covered Bonds pursuant to Article 80, §1 of the Banking Law on 9 February 2016. The Programme has been admitted by the NBB to the list of authorised programmes for issue of Belgian covered bonds pursuant to Article 80, §2 of the Banking Law on 3 May 2016. Upon so being notified by the Issuer, the NBB shall regularly update such list with the Mortgage Pandbrieven issued under the Programme and shall indicate that the Mortgage Pandbrieven constitute Belgian *pandbrieven/lettres de gage* under the Belgian Covered Bond Regulations

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

Each Tranche is the subject of Final Terms (hereinafter the **Final Terms**) which completes these Conditions. The terms and conditions applicable to any particular Tranche of Mortgage Pandbrieven

are these Conditions as completed by the applicable Final Terms, save to the extent that such Final Terms replace or modify such Conditions.

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

The relationship between the Issuer and BNP Paribas Fortis as domiciliary agent, paying agent and listing agent (hereinafter the **Domiciliary Agent**, the **Paying Agent** and the **Listing Agent** which expression includes any successor agent appointed from time to time in connection with the Mortgage Pandbrieven), any entity from time to time appointed as registrar (hereinafter the **Registrar**, which expression includes any successor registrar appointed from time to time in connection with the Mortgage Pandbrieven) and the other paying agents appointed from time to time under the agency agreement (together with the Domiciliary Agent, the Paying Agent, the Listing Agent and the Registrar, the **Agents**, which expression includes any successor agent appointed from time to time in connection with the Mortgage Pandbrieven) is determined in accordance with an agency agreement to be made between the Issuer, BNP Paribas Fortis and the Mortgage Pandbrieven Holders' Representative (such agency agreement as modified and/or supplemented and/or restated from time to time, the **Agency Agreement**) to be dated on or about 16 September 2016.

The Mortgage Pandbrieven Holders' Representative acts as representative of the Mortgage Pandbrieven Holders within the meaning of article 1, 4° of Annex III to the Banking Law in accordance with the provisions of the **Mortgage Pandbrieven Holders Representative Agreement** (such Mortgage Pandbrieven Holders Representative Agreement as modified and/or supplemented and/or restated from time to time, the Mortgage Pandbrieven Holders Representative Agreement) dated on 12 April 2016 made between the Issuer and Stichting BNP Paribas Fortis Mortgage Pandbrieven Representative as representative (in such capacity, the **Mortgage Pandbrieven Holders' Representative**, which expression shall include any successor Mortgage Pandbrieven Holders' Representative) and with the Belgian Covered Bond Regulations.

The Cover Pool Monitor has been appointed as cover pool monitor in relation to the Special Estate (as defined below) pursuant to Article 16, §1 of Annex III to the Banking Law and the Belgian Covered Bond Regulations and pursuant to the terms of the Cover Pool Monitor Agreement.

Pursuant to a special estate administration agreement to be entered into between the Issuer, the Mortgage Pandbrieven Holders' Representative and the Cover Pool Monitor (such special estate administration agreement as modified and/or supplemented and/or restated from time to time, the **Special Estate Administration Agreement**) to be dated on or about 16 September 2016, all Mortgage Pandbrieven issued under the Programme shall be subject to and have the benefit of certain common terms (the **Special Estate Administration Terms**) regardless of whether the Mortgage Pandbrieven are issued under the Base Prospectus or not.

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

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

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

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

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

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

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

## 1. INTERPRETATION

### *Definitions*

In these Conditions the following expressions have the following meanings

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

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

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



**Banking Law** means the law of 25 April 2014 on the legal status and supervision on credit institutions (*Wet op het statuut van en het toezicht op de kredietinstellingen/Loi relative au statut et au contrôle des établissements de crédit*) as subsequently amended and/or supplemented and/or re-enacted.

**Base Prospectus** means the base prospectus in relation to the Programme dated 12 September 2016, as amended from time to time.

**Belgian Company Code** means the *Belgian Wetboek van Vennootschappen/Code des sociétés*.

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

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

- (a) a day other than a Saturday or Sunday on which the NBB Securities Settlement System is operating;
- (b) a day on which banks and forex markets are open for general business in Belgium; and
- (c) (if a payment in euro is to be made on that day), a day which is a business day for the TARGET2 System.

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

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

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

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

**Cover Pool Administrator** means any person or persons appointed (and any additional or replacement person or persons appointed or substituted) as a cover pool administrator (*portefeuillebeheerder/gestionnaire de portefeuille*) by the NBB pursuant to Article 8 of Annex III to the Banking Law.

**Cover Pool Administrator Royal Decree** means the Royal Decree of 11 October 2012 on the cover pool administrator in the context of the issue of Belgian covered bonds by a Belgian credit institution (*Koninklijk Besluit van 11 oktober 2012 betreffende de portefeuillebeheerder in het kader van de uitgifte van Belgische covered bonds door kredietinstellingen naar Belgisch recht/Arrêté Royal du 11 octobre 2012 relatif au gestionnaire de portefeuille dans le*

*cadre de l'émission de covered bonds belges par un établissement de crédit de droit belge*) as subsequently amended and/or supplemented and/or re-issued.

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

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

**Cover Register** means the cover register established by the Issuer for the Mortgage Pandbrieven issued under the Programme in accordance with Article 15 of Annex III to the Banking Law.

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

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

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

- (a) if **Actual/Actual** or Actual/Actual (ISDA) is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (b) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) If **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (d) if **30/360,360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

Where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D2 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D2 is greater than 29, in which case D2 will be 30;

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

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

Where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

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

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

Where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless

(x) that day is the last day of February or (y) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (x) that day is the last day of February but not the Maturity Date or (y) such number would be 31, in which case D2 will be 30; and

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

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

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

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

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

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

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

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

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

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

termination date of the transaction entered into under such Hedging Agreement or (ii) as at any other date of valuation in accordance with the terms of the Hedging Agreement.

**Exempt Investor** has the meaning given in Condition 7 (*Tax gross-up*).

**Extraordinary Resolution** has the meaning given in the Meeting Rules.

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

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

- (a) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
  - (i) in the case of Mortgage Pandbrieven where the number of days in the relevant period from (and including) the most recent Interest Period End Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year;
  - (ii) in the case of Mortgage Pandbrieven where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
    - (C) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
    - (D) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
    - (E) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360
    - (F) if **30/360,360/360** or Bond Basis is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows

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

Where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D2 is greater than 29, in which case D2 will be 30;

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

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

Where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

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

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

Where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1, will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

- (I) if **1/1** is specified in the applicable Final Terms, 1

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

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

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

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

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

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

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

**Junior Liquidity Amount** means any amount, including any costs, charges, liabilities and expenses, due and payable to a Liquidity Provider which under the relevant Liquidity Facility

Agreement are expressed to rank junior to interest and principal due to Mortgage Pandbrieven Holders and any other party ranking senior in accordance with the Priority of Payments.

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

**Margin** has the meaning given in the applicable Final Terms.

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

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

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

**Mobilisation Law** means the Law of 3 August 2012 on various measures to facilitate the mobilisation of receivables in the financial sector (*Wet van 3 augustus 2012 betreffende diverse maatregelen ter vergemakkelijking van de mobilisering van schuldvorderingen in de financiële sector/Loi du 3 août 2012 relative à des mesures diverses pour faciliter la mobilisation de créances dans le secteur financier*) as subsequently amended and/or supplemented and/or re-enacted.

**Mortgage Pandbrieven Holders** or **holders of Mortgage Pandbrieven** means the persons in whose name a Registered Mortgage Pandbrief is registered or, as the case may be, the holders from time to time of Dematerialised Mortgage Pandbrieven as determined by reference to the records of the relevant clearing systems or financial intermediaries and the affidavits referred to in Condition 2 (*Type, Form, Denomination and Title*).

**NBB Cover Pool Monitor Regulation** means the Regulation of the NBB addressed to the cover pool monitors of Belgian credit institutions that issue Belgian covered bonds dated 29 October 2012 (*Circulaire aan de portefeuillesurveillanten van kredietinstellingen naar Belgisch recht die Belgische covered bonds uitgeven/Circulaire aux surveillants de portefeuille auprès d'établissements de crédit de droit belge qui émettent des covered bonds belges*) as subsequently amended and/or supplemented and/or re-issued.

**NBB Covered Bonds Regulation** means the Regulation of the NBB concerning the practical modalities for the application of the law of 3 August 2012 that establishes a legal regime for Belgian covered bonds dated 29 October 2012 (*Circulaire over de praktische regels voor de toepassing van de wet van 3 augustus 2012 tot invoering van een wettelijke regeling voor Belgische covered bonds/Circulaire sur les modalités pratiques d'application de la loi du 3 août 2012 instaurant un régime légal pour les covered bonds*) as subsequently amended and/or supplemented and/or re-issued.

**Notice of Default** has the meaning given to it in Condition 8 (*Events of Default and Enforcement*).



**Operational Creditors** means (1) any servicer appointed to service the Cover Assets, (2) any account bank appointed to hold accounts of the Issuer in relation to the Special Estate, (3) any stock exchange on which the Mortgage Pandbrievens are listed and/or admitted to trading, (4) any auditor, legal counsel and tax advisor of the Issuer in relation to the Special Estate or the Programme, (5) any custodian of Cover Assets or assets in the Special Estate, (6) any rating agency appointed by the Issuer to rate the Programme or the Mortgage Pandbrievens, (7) any agent or party appointed in accordance with the Programme Documents, (8) any other creditor of amounts due in connection with the management or administration of the Special Estate, and (9) any other creditor of the Issuer pursuant to any services provided or any transaction entered into in connection with the Special Estate or the Programme, and notified to the Mortgage Pandbrievens Holders' Representative or as may from time to time be specified in the Conditions of any Mortgage Pandbrievens issued under the Programme.

**Ordinary Resolution** has the meaning given in the Meeting Rules.

**Other Cover Pool Creditors** means the Mortgage Pandbrievens Holders' Representative, any Cover Pool Administrator, the Cover Pool Monitor, the Agents, the Registrar, the Hedging Counterparties (if any), any Liquidity Facility Providers (if any) and any Operational Creditors.

**Over-Collateralisation Test** means the requirement set out in the Belgian Covered Bond Regulations that the value of the Cover Assets determined in accordance with the valuation rules set out in the Covered Bonds Royal Decree must represent at least 105% of the Principal Amount Outstanding of Mortgage Pandbrievens.

**Principal Amount Outstanding** means, in respect of a Mortgage Pandbrief, on any day, the principal amount of that Mortgage Pandbrief on the Issue Date thereof less principal amounts received by the relevant Mortgage Pandbrievens Holder in respect thereof on or prior to that day, provided that the Principal Amount Outstanding in respect of a Mortgage Pandbrief that has been purchased and cancelled by the Issuer shall be zero.

**Programme Resolution** has the meaning given in the Meeting Rules.

**Rate of Interest** means, in the case of interest-bearing Mortgage Pandbrievens, the rate of interest payable from time to time as described in Condition 4 (*Interest*).

**Rating Agency** means any rating agency (or its successor) who, at the request of the Issuer, assigns and for as long as it assigns, one or more ratings to the Mortgage Pandbrievens under the Programme from time to time, which may include Moody's and S&P.

**Record Date** has the meaning given in Condition 5.1(b)) (*Payments in relation to Registered Mortgage Pandbrievens*).

**Reference Banks** means the principal Eurozone office of four major banks in the Eurozone interbank market, in each case selected by the Calculation Agent in its sole discretion.

**Reference Price** has, in respect of a Zero Coupon Mortgage Pandbrievens, the meaning given in the applicable Final Terms.

**Reference Rate** has the meaning given in the applicable Final Terms.

**Registered Mortgage Pandbrievens** has the meaning given in Condition 2.2 (*Form*).

**Related Security** means all security interests and sureties, guarantees or privileges under whichever form that have been granted in relation to Cover Assets as well as rights under insurance policies and other contracts in relation to the Cover Assets or the management of the Special Estate.

**Resolution** means an Ordinary Resolution, an Extraordinary Resolution or a Programme Resolution.

**Residential Mortgage Loans** means loans that are secured by a mortgage on residential real estate as defined in article 2, 6° of the Covered Bonds Royal Decree.

**Screen Rate Determination** means, if specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Mortgage Pandbrieven is to be determined in accordance with Condition 4.2 (*Interest on Floating Rate Mortgage Pandbrieven*).

**Securities Settlement System** has the meaning given in Condition 2.2 (*Form*).

**Series Principal Amount Outstanding** means, in respect of a Series of Mortgage Pandbrieven on any day, the aggregate of the Principal Amount Outstanding of each of the Mortgage Pandbrieven comprised in that Series.

**Settlement System Regulations** means Belgian clearing regulations, including the Belgian law of 6 August 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of 26 May 1994 and 14 June 1994 and the rules of the Securities Settlement System and its annexes, as issued or modified by the NBB from time to time.

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

**Specified Currency** means Euro or such other currency as may be specified in the applicable Final Terms.

**Specified Office** means 1000 Brussels, Montagne du Parc 3, Belgium, or such office as notified to the Mortgage Pandbrieven Holders by the Domiciliary Agent in accordance with Condition 19 (*Notices*).

**Specified Time** means 11.00 a.m. (Brussels time) in the case of EURIBOR.

**Statutory Tests** means the Cover Tests and the Liquidity Test.

**Subordinated Termination Payment** means any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event relating to the credit rating or credit worthiness of the Hedging Counterparty as specified in the schedule to the relevant Hedging Agreement, (b) the bankruptcy of the relevant Hedging Counterparty, or (c) any default and/or failure to perform by such Hedging Counterparty under the relevant Hedging Agreement, other than, in the event of (a) or (b) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

**Sub-unit** with respect to Euro, means, one cent.

**Target2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**Treaty** means the Treaty establishing the European Community, as amended.

**VAT** means:

- (A) any tax chargeable under or pursuant to the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) or any legislation implemented by any member state of the European Union by virtue of EC Directive 2006/112; and
- (B) any other tax of a similar nature, whether chargeable in a member state of the European Union or elsewhere.

**Winding-up Proceedings** means winding-up proceedings (*liquidatieprocedures/procédures de liquidation*) within the meaning of Article 3, 59° to the Banking Law.

## 2. TYPE, FORM, DENOMINATION AND TITLE

### 2.1. Residential Mortgage Pandbrieven

The Mortgage Pandbrieven will be issued as Belgian pandbrieven (*belgische pandbrieven/lettres de gage belges*) in accordance with the Belgian Covered Bond Regulations. The Mortgage Pandbrieven will be covered in accordance with the Belgian Covered Bond Regulations by the same Special Estate of which the main asset category will consist of Residential Mortgage Loans, their Related Security and all monies derived therefrom from time to time in accordance with the Belgian Covered Bond Regulations

### 2.2. Form

The Mortgage Pandbrieven can be issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Company Code (**Dematerialised Mortgage Pandbrieven**) or in registered form in accordance with Article 462 et seq. of the Belgian Company Code (**Registered Mortgage Pandbrieven**).

Registered Mortgage Pandbrieven will be registered in a register maintained by the Issuer or by the Registrar on behalf of the Issuer in accordance with Article 462 et seq. of the Belgian Company Code. Holders of Registered Mortgage Pandbrieven can obtain a certificate demonstrating the registration of the Registered Mortgage Pandbrieven in the register.

The Dematerialised Mortgage Pandbrieven are issued in dematerialised form in accordance with Articles 468 et seq. of the Belgian Company Code. The Dematerialised Mortgage Pandbrieven will be represented by a book entry in the records of the clearing system operated by the NBB or any successor thereto (the **Securities Settlement System**). The Dematerialised Mortgage Pandbrieven can be held by their holders through the participants in the Securities Settlement System, including Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking *société anonyme* (**Clearstream, Luxembourg**) and through other financial intermediaries which in turn hold the Dematerialised Mortgage Pandbrieven through Euroclear and Clearstream, Luxembourg or other participants in the Securities Settlement System. Payments of principal, interest and other sums due under the Dematerialised Mortgage Pandbrieven will be made in accordance with

the rules of the Securities Settlement System through the NBB. Holders of Dematerialised Mortgage Pandbrieven are entitled to exercise the rights they have, including exercising their voting rights and other associative rights (as defined for the purposes of Article 474 of the Belgian Company Code) against the Issuer in accordance with the Conditions and without prejudice to the powers of the Mortgage Pandbrieven Holders' Representative, upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg or any other participant duly licensed in Belgium to keep dematerialised securities accounts showing their position in the Dematerialised Mortgage Pandbrieven (or the position held by the financial institution through which their Dematerialised Mortgage Pandbrieven are held with the NBB, Euroclear, Clearstream, Luxembourg or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

References to the Securities Settlement System, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Domiciliary Agent.

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

### 2.3. Title and transfer

#### a) Title

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

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

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

#### b) Transfer

##### (i) Transfer free of charge

Transfer of Mortgage Pandbrieven on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer and/or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar may require).

##### (ii) Transfer documents and certificates

Upon a sale or transfer of Registered Mortgage Pandbrieven, the seller thereof will be required to complete the relevant transfer documents and certificates which can be found at [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com) or can be obtained from the Registrar.

(iii) Closed Period

No Mortgage Pandbrieven Holder may require the transfer of a Registered Mortgage Pandbrief to be registered (i) during the period of 15 calendar days ending on the due date for full redemption of that Registered Mortgage Pandbrief, (ii) after any such Registered Mortgage Pandbrief has been called for full redemption or (iii) during the period of 15 calendar days ending on (and including) the due date for payment of principal and/or interest in respect of Registered Mortgage Pandbrieven.

## 2.4. Denomination

The Covered Bond will be issued in such denomination as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms (the **Specified Denomination**) with a minimum specified denomination of EUR 100,000 or its equivalent in any other relevant Specified Currency as at the date of issuance of the relevant Mortgage Pandbrieven.

All Mortgage Pandbrieven of the same Series will have the same Specified Denomination shown in the applicable Final Terms in relation to each Tranche comprising such Series.

## 2.5. Fixed rate, Floating Rate Mortgage Pandbrieven or Zero Coupon Mortgage Pandbrieven

The applicable Final Terms will indicate whether the Mortgage Pandbrieven are Fixed Rate Mortgage Pandbrieven, Floating Rate Mortgage Pandbrieven or Zero Coupon Mortgage Pandbrieven, or a combination of the foregoing, depending upon the interest basis shown in the applicable Final Terms (the **Interest Basis**).

## 2.6. Issuer undertaking

For so long as the Mortgage Pandbrieven are outstanding, the Issuer will ensure that:

- (a) it will comply with the obligations applicable to it under the Belgian Covered Bond Regulations;
- (b) that the Special Estate will mainly consist of Residential Mortgage Loans and will not include (i) residential mortgage backed securities (RMBS), (ii) asset backed securities (ABS) and (iii) mortgage loans other than Residential Mortgage Loans;
- (c) that the Special Estate will at all times include a number of liquid bonds (i) which have an aggregate market value which, after applying the ECB haircut in accordance with the Guideline of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy (as may be amended, supplemented, replaced and/or restated from time to time), is higher than the amount of interest due and payable on the outstanding Mortgage Pandbrieven within a period of three months meeting the criteria set out in paragraph 7 of the NBB Covered Bonds Regulation and (ii) which (1) are eligible as collateral for Eurosystem monetary policy purposes and intra-day credit operations by the Eurosystem, (2) have a credit quality step 1 as defined in the CRR, (3) are subject to a daily mark-to-market, (4) have a remaining maturity of more than three months and, (5) are not debt issued by the Issuer, and (6) are not residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS)

or any other asset backed securities (ABS) (the **Undertaking of the Issuer with regard to Liquidity of the Special Estate**); and

- (d) to provide an investor report (the **Investor Report**), containing information regarding, amongst others, the Mortgage Pandbrieven and the composition of the Special Estate, on a monthly basis, on the 15th Business Day of each calendar month (each an **Investor Report Date**), which will be made available on the website of the Issuer at [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com).

### 3. STATUS OF THE MORTGAGE PANDBRIEVEN

The Mortgage Pandbrieven will be issued as Belgian pandbrieven (*belgische pandbrieven/lettres de gage belges*) in accordance with the Belgian Covered Bond Regulations and will constitute direct, unconditional and unsubordinated obligations of the Issuer. The Mortgage Pandbrieven will rank *pari passu* without any preference or priority among themselves, irrespective of their Series, and at least *pari passu* with all other present and future outstanding unsecured obligations of the Issuer, save for such obligations as may be preferred by law that are both mandatory and of general application. In addition, the Mortgage Pandbrieven will be covered in accordance with the Belgian Covered Bond Regulations by the Special Estate and the Mortgage Pandbrieven Holders and the Other Cover Pool Creditors will have an exclusive right of recourse to the Special Estate.

### 4. INTEREST

#### 4.1. Interest on Fixed Rate Mortgage Pandbrieven

Each Fixed Rate Mortgage Pandbrieven bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest determined in accordance with this Condition 4. Interest will accrue in respect of each Interest Period and will be payable in arrear on the Interest Payment Date(s).

Interest shall be calculated in respect of any period by applying the Rate of Interest to, in the case of Dematerialised Mortgage Pandbrieven, the Principal Amount Outstanding or, in the case a Registered Mortgage Pandbrief, the Principal Amount Outstanding of such Registered Mortgage Pandbrief and, in either case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest Sub-unit, half of any such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

#### 4.2. Interest on Floating Rate Mortgage Pandbrieven

##### (a) *Interest Period End Dates and Interest Payment Date*

Each Floating Rate Mortgage Pandbrieven bears interest at the rate per annum (expressed as a percentage) equal to the Rate of Interest (determined in accordance with Condition 4.2(b) (*Rate of Interest*)), from (and including) the Interest Commencement Date. Interest will accrue in respect of each Interest Period and will be payable in arrear on the Interest Payment Date(s). The amount of interest payable shall be calculated in accordance with Condition 4.2(d) (*Determination of Rate of Interest and calculation of Interest Amounts*).

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Mortgage Pandbrieven will be equal to the rate of interest determined in the following manner, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Mortgage Pandbrieven

Where **ISDA Determination** is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph 4.2(b)(i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issuer or other person specified in the applicable Final Terms under an interest rate swap transaction if the Issuer or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Mortgage Pandbrieven (the **ISDA Definitions**), and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is the period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (I) if the applicable Floating Rate Option is based on the Eurozone inter-bank offered rate (**EURIBOR**), the first day of that Interest Period or (II) in any other case, as specified in the applicable Final Terms

For the purposes of this subparagraph 4.2(b)(i), (1) **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions and (2) **Eurozone** means the region comprising the member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

When this Condition 4.2(b)(i) (*ISDA Determination for Floating Rate Mortgage Pandbrieven*) applies, in respect of each relevant Interest Period the Calculation Agent will be deemed to have discharged its obligations under Condition 4.2(d) (*Determination of Rate of Interest and calculation of Interest Amounts*) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this subparagraph 4.2(b)(i).

(ii) Screen Rate Determination

- (A) Where **Screen Rate Determination** is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:
  - (1) the offered quotation (if there is only one quotation appearing on the relevant Screen Page); or

- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent

(B) If the Reference Rate is EURIBOR, and

- (1) the Relevant Screen Page is not available or if, in the case of (A)(1) above, no such offered quotation appears or, in the case of (A)(2) above, fewer than three such offered quotations appear, in each case as at the Specified Time on the Interest Determination Date in question, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question;

- (2) on any Interest Determination Date,

- two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or
- fewer than two of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for the relevant Interest Period shall be the offered quotation for deposits in Euro for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered quotations for deposits in Euro for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Eurozone inter bank market, as the case may be, plus or minus (as appropriate) the Margin (if any);

- (3) five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; and



- (4) the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Calculation Agent will notify the Domiciliary Agent and the Issuer, as applicable, of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Mortgage Pandbrievien for the relevant Interest Period by applying the Rate of Interest to, in the case of Dematerialised Mortgage Pandbrievien, the relevant Series Principal Amount Outstanding or, in the case a Registered Mortgage Pandbrief, the Principal Amount Outstanding of such Registered Mortgage Pandbrief and, in either case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest Sub-unit, half of any such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

(e) ***Notification of Rate of Interest and Interest Amounts***

The Calculation Agent will promptly notify the Domiciliary Agent and the Issuer, as applicable, of each Interest Amount and the Domiciliary Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the other Agents and any stock exchange on which the relevant Floating Rate Mortgage Pandbrievien are for the time being listed (to the extent required by the rules applicable to the relevant stock exchange) and notice thereof to be published in accordance with Condition 19 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Rate of Interest so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate

Mortgage Pandbrievens are for the time being listed (to the extent required by the rules applicable to the relevant stock exchange) and to the Mortgage Pandbrievens Holders in accordance with Condition 19 (*Notices*).

(f) ***Calculation Agent***

If for any reason at any relevant time after the Issue Date, the Calculation Agent defaults in its obligation to determine the Rate of Interest and any Interest Amount in accordance with Conditions 4.2(b)(i) (*ISDA Determination for Floating Rate Mortgage Pandbrievens*) or 4.2(b)(ii) (*Screen Rate Determination*) above, and in each case in accordance with Condition 4.2(d) (*Determination of Rate of Interest and calculation of Interest Amounts*), the Issuer or upon the opening of Winding-up Proceedings against the Issuer, the Cover Pool Administrator, if the Calculation Agent is not the Issuer or the Mortgage Pandbrievens Holders' Representative, if the Calculation Agent is the Issuer, may determine the Rate of Interest at such rate as, in its absolute discretion having such regard as it may think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms, it shall deem fair and reasonable in all the circumstances or, as the case may be, the Issuer, the Cover Pool Administrator or the Mortgage Pandbrievens Holders' Representative, as applicable, may calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances but taking into account the provisions of the applicable Final Terms. In making any such determination or calculation, the Issuer, the Cover Pool Administrator or the Mortgage Pandbrievens Holders' Representative, as applicable, may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). If such determination or calculation is made, the Issuer, the Cover Pool Administrator or the Mortgage Pandbrievens Holders' Representative, as applicable, shall as soon as reasonably practicable notify the Issuer, the Domiciliary Agent, the other Agents, the Issuer or the Mortgage Pandbrievens Holders' Representative, as applicable, and each stock exchange on which the relevant Floating Rate Mortgage Pandbrievens are for the time being listed (to the extent required by the rules applicable to the relevant stock exchange), of such determination or calculation and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(g) ***Notifications to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 (*Interest on Floating Rate Mortgage Pandbrievens*), whether by the Issuer or the Mortgage Pandbrievens Holders' Representative shall (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Domiciliary Agent, the other Agents and all Mortgage Pandbrievens Holders and (in the absence as aforesaid) no liability to the Issuer or the Mortgage Pandbrievens Holders, as applicable, shall attach to the Issuer or the Mortgage Pandbrievens Holders' Representative, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **4.3. Accrual of Interest**

Each Mortgage Pandbrief (or in the case of the redemption of part only of a Mortgage Pandbrief, that part only of such Mortgage Pandbrief) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In

such event, interest will continue to accrue until whichever is the earlier of: (a) the date on which all amounts due in respect of such Mortgage Pandbrief have been paid; and (b) five (5) calendar days after the date on which the full amount of the moneys payable has been received by the Domiciliary Agent and notice to that effect has been given to the Mortgage Pandbrieven Holders in accordance with Condition 19 (*Notices*).

#### 4.4. **Interest on Zero Coupon Mortgage Pandbrieven**

Zero Coupon Mortgage Pandbrieven will be offered and sold at a discount to their nominal amount and will, subject to Condition 4.5 (*Interest Payments up to the Extended Maturity Date*), not bear periodic interest. When a Zero Coupon Mortgage Pandbrieven becomes repayable prior to its Maturity Date, it will be redeemed at the Early Redemption Amount calculated in accordance with Condition 6.4 (*Early Redemption Amounts*). In the case of late payment the amount due and repayable shall be calculated in accordance with Condition 6.8 (*Late Payment for Zero Coupon Mortgage Pandbrieven*).

#### 4.5. **Interest Payments up to the Extended Maturity Date**

If the maturity of the Mortgage Pandbrieven is extended beyond the Maturity Date in accordance with Condition 6.2 (*Extension of Maturity Date*):

- (a) the Mortgage Pandbrieven then outstanding shall bear interest from (and including) the Maturity Date to (but excluding) the Extended Maturity Date or, if earlier, the relevant Interest Payment Date after the Maturity Date on which the Mortgage Pandbrieven are redeemed in full, subject to Condition 4.3 (*Accrual of Interest*). In that event, interest shall be payable on the Mortgage Pandbrieven at the rate determined in accordance with Condition 4.5(b) below on each Mortgage Pandbrief then outstanding on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date;
- (b) the rate of interest payable from time to time under Condition 4.5(a) above will be as specified in the applicable Final Terms and, where applicable, determined by the Calculation Agent fourteen (14) calendar days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms; and
- (c) in the case of Mortgage Pandbrieven which are Zero Coupon Mortgage Pandbrieven, for the purposes of this Condition 4.5(a), the principal amount outstanding of each Covered Bond shall be the total amount otherwise payable by the Issuer on the Maturity Date in respect of such Covered Bond less any payments made by the Issuer in respect of such amount in accordance with the Conditions.

#### 4.6. **Business Day**

(x) If in relation to any date (including, for the avoidance of doubt, any Maturity Date or Extended Maturity Date) there is no numerically corresponding day in the calendar month in which such date should occur or (y) if such date would otherwise fall on a day which is not a Business Day, then, such date shall in case of (x) be the last day that is a Business Day in the relevant month and in case of (y) be postponed to the next day which is a Business Day.

## 5. PAYMENTS

### 5.1. Method of payment

#### (a) Payments in relation to Dematerialised Mortgage Pandbrieven

Subject as provided below, all payments of principal or interest owing under the Dematerialised Mortgage Pandbrieven shall be made through the Domiciliary Agent and the Securities Settlement System in accordance with the Settlement System Regulations and the Clearing Services Agreement.

Any payment of interest, principal or other sums payable on Dematerialised Mortgage Pandbrieven expressed in any currency other than Euro will be settled outside the Securities Settlement System and paid by the Domiciliary Agent and paying agents (appointed from time to time under the Agency Agreement) via Euroclear and Clearstream, Luxembourg.

#### (b) Payments in relation to Registered Mortgage Pandbrieven

Payments of principal and interest in respect of Registered Mortgage Pandbrieven shall be paid to the person shown on the register of the Registered Mortgage Pandbrieven at the close of business on the fifteenth calendar day before the due date for payment thereof (the **Record Date**).

### 5.2. Payments subject to fiscal laws

Payments will be subject in all cases to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Tax gross-up*) as applicable and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

No commissions or expenses shall be charged by the Issuer or the Domiciliary Agent to the Mortgage Pandbrieven Holders in respect of such payments.

### 5.3. Payment Day

If the date for payment of any amount in respect of any Mortgage Pandbrief is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other payment in respect of any delay. For these purposes, **Payment Day** means any day which (subject to Condition 10 (*Prescription*)) is:

- (a) a day on which the TARGET2 System is open; and
- (b) a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms.

### 5.4. Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Mortgage Pandbrieven shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Tax gross-up*) or under any undertakings or covenants given in addition thereto, or in substitution therefore, pursuant to the Agency Agreement;
- (b) the Final Redemption Amount;
- (c) the Early Redemption Amount; and
- (d) in relation to Zero Coupon Mortgage Pandbrieven, the Amortised Face Amount (as defined in Condition 6.4(c) (*Early Redemption Amounts*))

Any reference in these Conditions to interest in respect of the Mortgage Pandbrieven shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Tax gross-up*) or under any undertakings given in addition thereto, or in substitution therefore, pursuant to the Agency Agreement.

## **6. REDEMPTION AND PURCHASE**

### **6.1. Final redemption**

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at the Final Redemption Amount specified in the applicable Final Terms in the Specified Currency on the Maturity Date.

### **6.2. Extension of Maturity Date**

If the Issuer fails to redeem a Series of Mortgage Pandbrieven in full within fourteen (14) calendar days after their Maturity Date and provided that an Extended Maturity Date is specified in the applicable Final Terms as applying to such Series of Mortgage Pandbrieven then:

- (a) (subject as provided below) payment of the unpaid principal amount by the Issuer shall be automatically deferred until the Extended Maturity Date and in such case the Final Redemption Amount will not be considered to have been due and payable on the Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid in whole or in part by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the Extended Maturity Date, but will in any event have to be paid in full on the relevant Extended Maturity Date;
- (b) if following the extension of the Maturity Date in accordance with Condition 6.2(a)), the Issuer has, in the same month, the obligation to pay principal on two or more Series of Mortgage Pandbrieven, it will make payments in respect of the Series of Mortgage Pandbrieven where the Maturity Date has been extended prior to paying Series of Mortgage Pandbrieven where the Maturity Date has not been extended. If the Issuer fails to pay the Final Redemption Amount in respect of such Mortgage Pandbrieven with a later Maturity Date, payments of unpaid amounts shall be deferred in accordance with Condition 6.2(a);
- (c) an extension of one Series shall not automatically result in an extension of any other Series (other than, for the avoidance of doubt, as provided for in Condition 6.2(b) above);
- (d) any payments which shall be subject to an extension in accordance with this Condition 6.2 shall not be considered as unconditional for the purpose of Article 7, § 1 of the Covered Bonds Royal Decree;

- (e) the Issuer shall notify to the Cover Pool Monitor, the Rating Agencies, any relevant Hedging Counterparty, the Mortgage Pandbrieven Holders' Representative, the Domiciliary Agent and the Paying Agent and any relevant stock exchange as soon as reasonably practicable and in any event at least four (4) Business Days prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Mortgage Pandbrieven within fourteen (14) calendar days after the Maturity Date. The Issuer shall give notice of the extension of the Maturity Date to the Extended Maturity Date to the Mortgage Pandbrieven Holders of such Series as soon as reasonably practicable. For the avoidance of doubt, any failure by the Issuer to notify such parties shall not affect the validity of effectiveness of the extension nor give rise to any rights in any such party;
- (f) failure to pay in full by the Issuer on the Maturity Date shall not constitute an Event of Default. However, failure by the Issuer to pay the Final Redemption Amount on the Extended Maturity Date will constitute an Event of Default;
- (g) if the maturity of any Mortgage Pandbrieven is extended up to the Extended Maturity Date in accordance with this Condition 6.2, for so long as any of those Mortgage Pandbrieven remain outstanding, the Issuer shall not issue any further Mortgage Pandbrieven, unless the proceeds of issuance of such further Mortgage Pandbrieven are applied by the Issuer on issuance in redeeming in whole or in part the relevant Mortgage Pandbrieven in accordance with the terms hereof; and
- (h) this Condition 6.2 shall only apply if the Issuer has insufficient funds available to redeem Mortgage Pandbrieven in full on the relevant Maturity Date (or within fourteen (14) calendar days thereafter).

### 6.3. **Redemption for taxation reasons**

The Mortgage Pandbrieven may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Mortgage Pandbrief is not a Floating Rate Mortgage Pandbrief) or on any Interest Payment Date (if the relevant Mortgage Pandbrief is a Floating Rate Mortgage Pandbrief), on giving not less than 30 nor more than 60 calendar days' notice to the Domiciliary Agent and the Mortgage Pandbrieven Holders' Representative and, in accordance with Condition 19 (*Notices*), the Mortgage Pandbrieven Holders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Mortgage Pandbrieven, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Tax gros-up*), as a result of any change in, or amendment to, the laws or regulations of Belgium or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Mortgage Pandbrieven; and

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

provided that no such notice of redemption shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts where a payment in respect of the Mortgage Pandbrieven then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Domiciliary Agent and the Mortgage Pandbrieven Holders' Representative a

certificate signed by two authorised signatories of the Issuer, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Mortgage Pandbrievien redeemed pursuant to this Condition 6.3 (*Redemption for taxation reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 6.4 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of early redemption.

#### 6.4. **Early Redemption Amounts**

For the purpose of Condition 6.3 (*Redemption for taxation reasons*), Condition 6.5 (*Illegality*) and Condition 8 (*Events of Default and Enforcement*), the Early Redemption Amount in respect of any Mortgage Pandbrievien shall be calculated as follows:

- (a) in the case of a Mortgage Pandbrief with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof, unless otherwise specified in the applicable Final Terms;
- (b) in the case of a Mortgage Pandbrief (other than a Zero Coupon Mortgage Pandbrief) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at its Principal Amount Outstanding; and
- (c) in the case of a Zero Coupon Mortgage Pandbrief, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

Where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Mortgage Pandbrievien to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Mortgage Pandbrief becomes due and repayable and the denominator of which is 360, provided that where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of Zero Coupon Mortgage Pandbrievien payable in a Specified Currency other than Euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of Zero Coupon Mortgage Pandbrievien payable in Eur, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (iii) other such redemption amount of a Zero Coupon Mortgage Pandbrievien as may be specified in the applicable Final Terms.

#### 6.5. **Illegality**

In the event that the Issuer determines that the performance of the Issuer's obligations under the Mortgage Pandbrieven has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than thirty (30) nor more than sixty (60) calendar days' notice to Mortgage Pandbrieven Holders and the Mortgage Pandbrieven Holders' Representative in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Mortgage Pandbrieven of the relevant Series, each Mortgage Pandbrief being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Domiciliary Agent and the Mortgage Pandbrieven Holders' Representative a certificate signed by two authorised signatories of the Issuer, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

#### 6.6. **Purchases**

The Issuer or any subsidiary, affiliate or holding company of the Issuer may at any time purchase or otherwise acquire Mortgage Pandbrieven at any price in the open market either by tender or private agreement or otherwise.

Such Mortgage Pandbrieven acquired by the Issuer may be held, resold or, at the option of the Issuer, transferred to the Domiciliary Agent for cancellation.

Unless otherwise indicated in the applicable Final Terms, Mortgage Pandbrieven so acquired by the Issuer may be held in accordance with Article 12, §1 of Annex III to the Banking Law or cancelled in accordance with this Condition 6.6.

#### 6.7. **Subscription to own Mortgage Pandbrieven**

The Issuer may subscribe to its own Mortgage Pandbrieven in accordance with Article 12, §1 of Annex III to the Banking Law.

Mortgage Pandbrieven so subscribed by the Issuer may be held in accordance with Article 12, §1 of Annex III to the Banking Law or transferred to the Domiciliary Agent for cancellation.

#### 6.8. **Late Payment for Zero Coupon Mortgage Pandbrieven**

If the amount payable in respect of any Zero Coupon Mortgage Pandbrieven upon redemption of such Covered Bond pursuant to Condition 6.1, 6.3 above or 6.5 above or upon its becoming due and repayable as provided in Condition 8 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Mortgage Pandbrieven shall be the amount calculated as provided in Condition 6.4 (*Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Mortgage Pandbrieven becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Mortgage Pandbrieven have been paid; and



- (b) five calendar days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Mortgage Pandbrieven has been received by the Domiciliary Agent and notice to that effect has been given to the Mortgage Pandbrieven Holders in accordance with Condition 19 (*Notices*).

## 7. TAX GROSS-UP

All payments of principal and interest in respect of the Mortgage Pandbrieven by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or on behalf of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Mortgage Pandbrieven Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

- (a) with respect to any payment in respect of any Dematerialised Mortgage Pandbrief:
- (i) held by a holder of a Dematerialised Mortgage Pandbrief which is liable to Taxes in respect of such Dematerialised Mortgage Pandbrief by reason of its having some connection with the jurisdiction by which such Taxes have been imposed, levied, collected, withheld or assessed other than the mere holding of the Dematerialised Mortgage Pandbrief; or
  - (ii) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive, as well as pursuant to FATCA; or
  - (iii) held by a holder of a Dematerialised Mortgage Pandbrief who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another paying agent of the Issuer in a member state of the European Union; or
  - (iv) where such withholding or deduction is imposed because the holder of the Dematerialised Mortgage Pandbrieven is not an Eligible Investor (unless that person was an Eligible Investor at the time of its acquisition of the relevant Mortgage Pandbrief but has since ceased (as such term is defined from time to time under Belgian law) being an Eligible Investor by reason of a change in the Belgian tax laws or regulations or in the interpretation or application thereof or by reason of another change which was outside that person's control), or is an Eligible Investor but is not holding the relevant Dematerialised Mortgage Pandbrief in an exempt securities account with a qualifying clearing system in accordance with the Belgian law of 6 August 1993 relating to transactions in certain securities and its implementation decrees; or
  - (v) to a holder who is liable to such Taxes because the Dematerialised Mortgage Pandbrieven were converted into registered Mortgage Pandbrieven upon his/her request and could no longer be cleared through the Securities Settlement System; or

- (vi) to a holder who is entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption;
- (b) with respect to any payment in respect of any Registered Mortgage Pandbrief
- (i) held by a holder of a Registered Mortgage Pandbrief which is liable to Taxes in respect of such Mortgage Pandbrief by reason of its having some connection with the jurisdiction by which such Taxes have been imposed, levied, collected, withheld or assessed other than the mere holding of the Registered Mortgage Pandbrief; or
  - (ii) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or
  - (iii) held by a holder of a Registered Mortgage Pandbrief who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another paying agent of the Issuer in a member state of the European Union; or
  - (iv) where such withholding or deduction is imposed because the holder of the Registered Mortgage Pandbrief is not to a holder who is an Exempt Investor (as defined below) (unless that person was an Exempt Investor at the time of its acquisition of the relevant Mortgage Pandbrief but has since ceased (as such term is defined from time to time under Belgian law) being an Exempt Investor by reason of a change in the Belgian tax laws or regulations or in the interpretation or application thereof); or
  - (v) where such withholding or deduction is imposed for reason of the holder of the Registered Mortgage Pandbrief, at the time of the relevant interest payment, not benefitting from a full exemption from Belgian interest withholding tax due to the Issuer no longer qualifying as a financial institution as referred to in the Articles 105, 1<sup>o</sup>, a) and 107, §2, 5<sup>o</sup>, b) of the Royal Decree implementing the Belgian Income Tax Code 1992”; or
  - (vi) to a holder who is entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
  - (vii) presented for payment more than 30 calendar days after the Relevant Date (as defined below) except to the extent that the holder of the Registered Mortgage Pandbrief would have been entitled to additional amount on presenting the same for payment on the expiry of such period of 30 calendar days; or
  - (viii) which is issued as a Zero Coupon Mortgage Pandbrief or any other Registered Mortgage Pandbrief which provides for the capitalisation of interest.

As used in this Condition:

**Exempt Investor** means a holder of a Registered Mortgage Pandbrief that, as of the relevant interest payment date, (i) is not resident for tax purposes in Belgium and does not use the income producing assets to exercise a business or professional activity in Belgium, (ii) has been the legal owner (*eigenaar/proprietaire*) or usufructuary (*vruchtgebruiker/usufruitier*) of the Registered Mortgage Pandbrief during the entire relevant interest period, (iii) has been

registered with the Issuer as the holder of the Registered Mortgage Pandbrief during the entire relevant interest period, (iv) has provided the Issuer with an affidavit in which it is certified that the conditions mentioned in points (i) and (ii) are complied with respect to such interest payment on or before the date such affidavit is required to be delivered to the Issuer and (v) complies with any further requirement imposed by any successor provision to the current relevant Belgian tax provisions.

**Relevant Date** in respect of any payment means the date on which such payment first becomes due.

## 8. EVENTS OF DEFAULT AND ENFORCEMENT

### 8.1. Events of default

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

- (a) on the Extended Maturity Date (in respect of any Series in respect of which an Extended Maturity Date applies in accordance with the applicable Final Terms) or on the Maturity Date (in respect of any Series in respect of which an Extended Maturity Date does not apply) in respect of any Series, there is a failure to pay any amount of principal due on the Mortgage Pandbrieven on such date and such default is not remedied within a period of fourteen (14) calendar days from the due date thereof; or
- (b) on any Interest Payment Date, a default in the payment of the amount of interest due on any Series occurs and such default is not remedied within a period of fourteen (14) calendar days from the due date thereof;

then the Mortgage Pandbrieven Holders' Representative may and, if it has been so directed by a request in writing by the holders of not less than 25% of the aggregate of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding but excluding the Mortgage Pandbrieven held by the Issuer for the calculation of the percentage (with the Mortgage Pandbrieven of all Series taken together as a single Series) or if so directed by a Programme Resolution (subject to being indemnified and/or secured and/or prefunded to its satisfaction), shall serve a notice (a **Notice of Default**) on the Issuer (copied to the Cover Pool Monitor, the NBB, the Rating Agencies and, if appointed, the Cover Pool Administrator). Following the service of a Notice of Default, (i) no further Mortgage Pandbrieven will be issued and (ii) the Mortgage Pandbrieven of each Series shall become immediately due and repayable on the date specified in the Notice of Default at the Early Redemption Amount, together with accrued interest thereon to the date of repayment.

### 8.2. Enforcement

The Mortgage Pandbrieven Holders' Representative may at any time after the occurrence of an Event of Default, at its discretion and without further notice, take such proceedings against the Issuer and/or any other person as it may think fit to enforce the provisions of the Mortgage Pandbrieven or any Programme Document.

No Mortgage Pandbrieven Holder shall be entitled to proceed directly against the Issuer or to take any action with respect to the Programme Documents, the Mortgage Pandbrieven or the Cover Assets unless the Mortgage Pandbrieven Holders' Representative, having become bound so to proceed pursuant to a Resolution or a direction of the Mortgage Pandbrieven Holders in accordance with the Conditions, as applicable, fails so to do within a reasonable

period, fourteen (14) Business Days being considered reasonable in this respect, and such failure shall be continuing.

### 8.3. Mortgage Pandbrieven Holders' Waiver

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

## 9. PRIORITY OF PAYMENTS

### 9.1. Priority of Payments

Following (i) delivery of a Notice of Default or (ii) a decision by the Cover Pool Administrator to early redeem the Mortgage Pandbrieven of all Series pursuant to Article 11, 6° or 7° of Annex III to the Banking Law and as long as no Notice of Default has been delivered, all funds deriving from the Cover Assets or otherwise received or recovered by the Special Estate and subject to Condition 9.2 (*Excess Cover Assets*) (whether in the administration, liquidation of the Special Estate or otherwise) (other than amounts or financial instruments representing Excess Swap Collateral (if any), which amounts shall be applied in accordance with the terms of the relevant Hedging Agreement(s)) shall be applied on any Business Day in accordance with the following order of priority of payments (the **Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full) provided that any such amount that is due to be paid hereunder has not been paid by the Issuer using funds not forming part of the Special Estate:

- (a) first, *pari passu* and *pro rata* according to the respective amounts thereof, (i) to pay all amounts then due and payable to the Mortgage Pandbrieven Holders' Representative (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Mortgage Pandbrieven Holders Representative Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein, (ii) to pay all amounts then due and payable to the Agents and/or the Registrar (if any) under the provisions of the Agency Agreement, any Calculation Agency Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (iii) to pay all amounts then due and payable to the Cover Pool Monitor under the provisions of the Cover Pool Monitor Agreement or any other Programme Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; (iv) upon its appointment in accordance with the Belgian Covered Bond Regulations, to pay all amounts then due to any Cover Pool Administrator (including any of its representatives or delegates) pursuant to the conditions of its appointment together with interest and applicable VAT or other similar taxes and any costs and expenses incurred by or on behalf of the Special Estate; and (v) to pay any amounts, fees, costs, charges, liabilities, expenses and taxes due and payable by the Issuer or the Special Estate to the Operational Creditors;
- (b) second, *pari passu* and *pro rata* according to the respective amounts thereof, (i) to pay all amounts of interest and principal then due and payable on any Mortgage Pandbrieven, (ii) any amounts due and payable under any Hedging Agreement other than the Subordinated Termination Payments to any Hedging Counterparties under any such Hedging

Agreements, and iii) to pay all amounts due and payable under any Liquidity Facility Agreement to any Liquidity Facility Provider (other than any Junior Liquidity Amounts);

- (c) third, *pari passu* and *pro rata*, (i) payment of any amount due and payable to any Hedging Counterparties arising out of any Subordinated Termination Payment, and (ii) payment of any Junior Liquidity Amounts due and payable under any Liquidity Facility Agreement to any Liquidity Facility Provider; and
- (d) fourth, once all Mortgage Pandbrievens have been redeemed and following the payment in full of all items under (a) to (c) above, to pay any excess to the General Estate of the Issuer.

## 9.2. Excess cover Assets

Nothing in Condition 9.1 shall operate to prevent the Issuer, the Special Estate, the Mortgage Pandbrievens Holders' Representative, the Cover Pool Monitor or any Cover Pool Administrator from complying with any direction made in accordance with Article 11, 8° of Annex III to the Banking Law from the bankruptcy trustee of the General Estate of the Issuer to transfer to the General Estate of the Issuer such Cover Assets as the bankruptcy trustee of the General Estate of the Issuer has determined, after consultation with the NBB (taking into account the Belgian Covered Bond Regulations and, as the case may be, the rating assigned to the Mortgage Pandbrievens), to be no longer be required to form part of the Special Estate.

## 10. PRESCRIPTION

Claims against the Issuer for payment of principal and interest in respect of the Mortgage Pandbrievens will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after their due date, unless application to a court of law for such payment has been initiated on or before such respective time. The due date for Mortgage Pandbrievens of which the Maturity Date has been extended shall be the Extended Maturity Date.

## 11. AGENTS

- (a) In acting under the Agency Agreement and in connection with the Mortgage Pandbrievens, the Calculation Agent, the Domiciliary Agent, any (Principal) Paying Agent, the Listing Agent and the Registrar (the **Agents**) act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Mortgage Pandbrievens Holders.
- (b) The initial Agents and their initial specified offices are set forth in the Base Prospectus. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Agent provided, however, that:
  - (i) the Issuer shall at all times maintain a Domiciliary Agent and a Principal Paying Agent (which may be the same entity) which will at all times be a participant in the Securities Settlement System;
  - (ii) so long as the Mortgage Pandbrievens are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (which may be the Domiciliary Agent) with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority (which, so long as the Mortgage Pandbrievens are listed on Euronext Brussels, shall be Brussels);

- (iii) so long as there are Registered Mortgage Pandbrieven, the Issuer shall maintain a Registrar for the relevant Series of Registered Mortgage Pandbrieven (which may be the Issuer itself);
- (iv) in the case of Floating Rate Mortgage Pandbrieven, the Issuer shall at all times maintain a Calculation Agent for the relevant Series of Mortgage Pandbrieven (which may be the Issuer itself); and
- (v) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directives.

Notice of any change in any of the Agents, the Registrar or the Calculation Agent or in their specified offices shall promptly be given to the Mortgage Pandbrieven Holders in accordance with Condition 19 (*Notices*).

## **12. MORTGAGE PANDBRIEVEN PROVISIONS**

### **12.1. Criteria for the transfer of assets by the General Estate to the Special Estate**

In accordance with Article 3, §2, 2d indent of Annex III to the Banking Law, the following criteria shall be applied in circumstances where amounts must be transferred to the Special Estate but cannot be identified within the General Estate of the Issuer. In such circumstances, the General Estate shall transfer to the Special Estate (in consultation between the Cover Pool Administrator and the bankruptcy trustee of the Issuer), instead of the relevant amounts, the following unencumbered assets available within the General Estate in an equal amount determined in the following order of priority:

- (a) first, credit quality step 1 bonds that are ECB eligible and/or level 1 assets as described in the liquidity risk framework calculation of the liquidity coverage ratio (as implemented through the CRR);
- (b) failing which, credit quality step 2 bonds that are ECB eligible and/or level 2 assets as described in the liquidity risk framework calculation of the liquidity coverage ratio (as implemented through CRR);
- (c) failing which, bonds other than (a) or (b) above that are ECB eligible;
- (d) failing which, bonds other than (a), (b) or (c) above;
- (e) failing which, public sector exposure other than (a), (b), (c) or (d);
- (f) failing which, residential mortgage loans; and
- (g) failing any of the above, such assets as the Cover Pool Administrator in the name and for the account of the Special Estate may select in its sole discretion.

### **12.2. Use of swap collateral**

Any collateral provided to the Issuer in the context of a Hedging Agreement that constitutes a Cover Asset, may only be used in order to satisfy the obligations that relate to the Special Estate and in accordance with the provisions of the relevant Hedging Agreement.

### 12.3. **Priority Rules regarding security interest securing both Cover Assets and assets in the General Estate**

If a security interest (including any mortgages or mortgage mandate) secures claims of both the Special Estate and the General Estate of the Issuer, proceeds from the enforcement of any such security interest shall be applied in priority to satisfy the obligations due in respect of the Cover Assets shown in the Cover Register as comprising part of the Special Estate. Only upon satisfaction in full of the relevant claims of the Cover Assets shown in the Cover Register as comprising part of the Special Estate shall any of the proceeds be applied against the claims of the General Estate which are also secured by such security interest.

### 13. **MEETING RULES**

The Meeting Rules of Mortgage Pandbrieven Holders (the **Meeting Rules**) are attached to, and form an integral part of, these Conditions. References in these Conditions to the Meeting Rules include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

The Articles 568 to 580 of the Belgian Company Code relating to Mortgage Pandbrieven Holders' meetings shall only apply to the extent that (i) the Conditions (including the Meeting Rules) and (ii) the articles of association of the Issuer, do not contain provisions which differ from the provisions contained in such articles.

### 14. **THE MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE**

The Mortgage Pandbrieven Holders' Representative has been appointed by the Issuer as representative of the Mortgage Pandbrieven Holders in accordance with Article 14, §2 of Annex III to the Banking Law upon the terms and conditions set out in the Mortgage Pandbrieven Holders Representative Agreement and herein.

As long as the Mortgage Pandbrieven are outstanding, there shall at all times be a representative of the Mortgage Pandbrieven Holders in accordance with Article 14, §2 of Annex III to the Banking Law, which has the power to exercise the rights conferred on it by these Conditions, the Meeting Rules, the Mortgage Pandbrieven Holders Representative Agreement and the Belgian Covered Bond Regulations in order to protect the interests of the Mortgage Pandbrieven Holders.

By reason of holding Mortgage Pandbrieven, each Mortgage Pandbrieven Holder:

- (a) recognises the Mortgage Pandbrieven Holders' Representative as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Mortgage Pandbrieven Holders' Representative in such capacity as if such Mortgage Pandbrieven Holder was a signatory thereto; and
- (b) acknowledges and accepts that the Issuer shall not be liable, except in case of fraud, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Mortgage Pandbrieven Holders as a result of the performance by the Mortgage Pandbrieven Holders' Representative of its duties or the exercise of any of its rights under these Conditions (including the Meeting Rules).

The Mortgage Pandbrieven Holders' Representative may also be appointed to represent Other Cover Pool Creditors provided that such Other Cover Pool Creditors agree with such representation.

## **15. CONFLICTS OF INTEREST**

The Mortgage Pandbrieven Holders' Representative shall, as regards the powers, authorities and discretions vested in it, except where expressly provided otherwise, have regard to the overall interests of the Mortgage Pandbrieven Holders of all Series taken together and of the Other Cover Pool Creditors that have agreed to be represented by the Mortgage Pandbrieven Holders' Representative provided that if, in the opinion of the Mortgage Pandbrieven Holders' Representative, there is a conflict between the interests the Mortgage Pandbrieven Holders and those Other Cover Pool Creditors, the Mortgage Pandbrieven Holders' Representative will have regard solely to the interest of the Mortgage Pandbrieven Holders. The Mortgage Pandbrieven Holders' Representative shall not have regard to any interests arising from circumstances particular to individual Mortgage Pandbrieven Holders or such Other Cover Pool Creditors.

## **16. MEETINGS OF MORTGAGE PANDBRIEVEN HOLDERS**

### **16.1. Meetings of Mortgage Pandbrieven Holders**

The Meeting Rules contain provisions for convening meetings of the Mortgage Pandbrieven Holders of each Series to consider matters relating to the Mortgage Pandbrieven, including the modification or waiver of any provision of the Conditions. For the avoidance of doubt any such modification or waiver shall be subject to the consent of the Issuer or, upon the opening of Winding-up Proceedings against the Issuer, the Cover Pool Administrator on behalf of the Special Estate, except as provided otherwise in the Meeting Rules.

All meetings of Mortgage Pandbrieven Holders will be held in accordance with the Meeting Rules. The Articles 568 to 580 of the Belgian Company Code relating to Mortgage Pandbrieven Holders' meetings shall only apply to the extent that (i) the Conditions (including the Meeting Rules) and (ii) the articles of association of the Issuer do not contain provisions which differ from the provisions contained in such articles.

### **16.2. Written Resolution**

Except in relation to a Programme Resolution to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° of Annex III to the Banking Law, a resolution in writing signed by or on behalf of holders of 50% or more of the aggregate of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution. A resolution in writing to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° of Annex III to the Banking Law signed by or on behalf of holders of 75 per cent. or more of the aggregate of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution. A resolution in writing signed by or on behalf of holders of two thirds of the Series Principal Amount Outstanding of the relevant Series of Mortgage Pandbrieven outstanding shall take effect as an Extraordinary Resolution. A written resolution signed by the holders of 50% or more of the Series Principal Amount Outstanding of the relevant Series of the Mortgage Pandbrieven outstanding shall take effect as if it were an Ordinary Resolution. Such resolutions in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Mortgage Pandbrieven Holders.



## **17. AMENDMENTS TO THE CONDITIONS AND WAIVERS**

Amendments to and waivers of the Conditions shall be made in accordance with the Meeting Rules.

## **18. FURTHER ISSUES**

The Issuer may from time to time, subject to Condition 6.2 (*Extension of Maturity Date*) and in accordance with the Statutory Tests, without the consent of the Mortgage Pandbrieven Holders, create and issue further Mortgage Pandbrieven having either: (i) the same terms and conditions as the Mortgage Pandbrieven in all respects (or in all respects except for the first payment of interest thereon, issue date and/or issue price) so as to form a single series with the Mortgage Pandbrieven; or (ii) different terms from any existing Mortgage Pandbrieven, where Mortgage Pandbrieven shall constitute a new Series of Mortgage Pandbrieven.

## **19. NOTICES**

Notices to be given by any holder of Mortgage Pandbrieven (including notices to convene a meeting of Mortgage Pandbrieven Holders) shall be in writing and given by lodging the same, with the Domiciliary Agent and the Mortgage Pandbrieven Holders' Representative. Notices to be given to the holders of Dematerialised Mortgage Pandbrieven (including notices to convene a meeting of Mortgage Pandbrieven Holders) shall be deemed to have been duly given to the relevant Mortgage Pandbrieven Holders if sent to the Securities Settlement System, Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Dematerialised Mortgage Pandbrieven and shall be deemed to be given on the date on which it was so sent.

All notices to holders of Registered Mortgage Pandbrieven (including notices to convene a meeting of Mortgage Pandbrieven Holders) will be mailed by regular post, by fax or by e-mail to the holders at their respective addresses or fax numbers appearing in the register of Registered Mortgage Pandbrieven.

If sent by post, notices will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. If sent by fax, notices will be deemed to have been given upon receipt of a confirmation of the transmission. If sent by e-mail, when the relevant receipt of such communication being read is given, or where no read receipt is requested, by the sender at the time of sending provided that no delivery failure notification is received by the sender within 24 hours of sending the communication.

So long as the Mortgage Pandbrieven are listed on any stock exchange or admitted to listing by any other relevant authority and if the rules of the exchange so require, any notice shall also be published in accordance with the rules and regulations of such stock exchange or other relevant authority.

No notifications in any such form will be required for convening meetings of Mortgage Pandbrieven Holders if all Mortgage Pandbrieven Holders have been identified and have been given an appropriate notice by registered mail.

Notwithstanding the above, the Mortgage Pandbrieven Holders' Representative shall be at liberty to approve any other method of giving notice to Mortgage Pandbrieven Holders if, in its opinion, such other method is reasonable having regard to the then-prevailing market practice and rules of the competent authority, stock exchange, clearing system or, as the case may be, quotation system on which the Mortgage Pandbrieven are then listed or admitted to trading.

## **20. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

The Mortgage Pandbrieven and all matters arising from or connected with the Mortgage Pandbrieven (and any non-contractual obligations arising out of or in connection with the Mortgage Pandbrieven) are governed by, and shall be construed in accordance with, Belgian law.

The courts of Brussels, Belgium are to have exclusive jurisdiction to settle any dispute, arising from or connected with the Mortgage Pandbrieven (including any disputes relating to any non-contractual obligations arising out of or in connection with the Mortgage Pandbrieven).

## **SECTION 11 - MEETING RULES OF THE MORTGAGE PANDBRIEVEN HOLDERS**

### **PART 1 – GENERAL PROVISIONS AND INTERPRETATION**

#### **1. GENERAL PROVISIONS**

- 1.1. Each Mortgage Pandbrieven Holder is a member of the meeting of Mortgage Pandbrieven Holders held in accordance with these meeting rules (the **Meeting Rules**). The Articles 568 to 580 of the Belgian Company Code shall only apply to the extent that (1) the Conditions (including these Meeting Rules) or (2) the articles of association of the Issuer do not contain provisions which differ from the provisions contained in such articles.
- 1.2. The Meeting Rules, which are deemed to be an integral part of the Conditions of the Mortgage Pandbrieven of each Series issued by the Issuer under the Programme, aim to co-ordinate the exercise of the rights of the Mortgage Pandbrieven Holders and, more generally, to protect the interest of the Mortgage Pandbrieven Holders. To this end:
- (a) Part 2 of these Meeting Rules contains provisions applicable to the Mortgage Pandbrieven Holders' Representative; and
  - (b) Part 3 of these Meeting Rules contains the rules that apply in particular to the meeting of Mortgage Pandbrieven Holders.
- 1.3. The Meeting Rules shall remain in full force and effect until full repayment or cancellation of all Mortgage Pandbrieven of whatever Series.

#### **2. INTERPRETATION**

##### **2.1. Definitions**

Unless otherwise defined in these Meeting Rules or unless the context otherwise requires, in these Meeting Rules the following words shall have the following meanings:

<b>Basic Term Change</b>	means a change to any of the matters referred to under Clauses 13.2(f) to 13.2(i) (inclusive) of the Meeting Rules;
<b>Block Voting Instruction</b>	means a document issued by a Recognised Accountholder or the Securities Settlement System in accordance with Clause 8.3.(c) of the Meeting Rules;
<b>Conditions</b>	means the terms and conditions of the Mortgage Pandbrieven of the relevant Series or Tranche issued by the Issuer;
<b>Extraordinary Resolution</b>	means a resolution passed at a Meeting duly convened and held in accordance with the Meeting Rules by a majority of at least two thirds of the aggregate Series Principal Amount Outstanding of the Series of Mortgage Pandbrieven for which votes have been cast;

<b>Ordinary Resolution</b>	means any resolution passed at a Meeting duly convened and held in accordance with the Meeting Rules by a simple majority of at least 50 per cent. of the aggregate Series Principal Amount Outstanding of the Series of Mortgage Pandbrieven for which votes have been cast plus one vote;
<b>Programme Resolution</b>	means any resolution passed at a Meeting duly convened and held in accordance with the Meeting Rules by a simple majority of at least 50 per cent. of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series under the Programme for which votes have been cast plus one vote, with the Mortgage Pandbrieven of all Series taken together as a single Series;
<b>Recognised Accountholder</b>	means, in relation to one or more Dematerialised Mortgage Pandbrieven, the recognised accountholder ( <i>erkende rekeninghouder/teneur de compte agréé</i> ) within the meaning of Article 468 of the Belgian Company Code with which a Mortgage Pandbrieven Holder holds such Dematerialised Mortgage Pandbrieven on a securities account;
<b>Resolution</b>	means an Ordinary Resolution, an Extraordinary Resolution or a Programme Resolution;
<b>Voting Certificate</b>	means a certificate issued by a Recognised Accountholder or the Securities Settlement System in accordance with Clause 8.3. (b) of the Meeting Rules.

Any other capitalized terms used in the Meeting Rules and not otherwise defined herein, shall have the meaning and the construction ascribed to them in the Conditions

## 2.2. Interpretation

All references in the Meeting Rules to:

- (a) **Mortgage Pandbrieven** are, unless the context otherwise requires, references to the Mortgage Pandbrieven of the relevant Series;
- (b) a **Clause** shall, except where expressly provided to the contrary, be a reference to a Clause of the Meeting Rules; and
- (c) a **Meeting** references to a meeting of Mortgage Pandbrieven Holders of a single Series of Mortgage Pandbrieven (except in case of a meeting to pass a Programme Resolution, in which case the Mortgage Pandbrieven of all Series are taken together as a single Series) and includes, unless the context otherwise requires, any adjournment.

## **PART 2 – MORTGAGE PANDBRIEVEN HOLDERS’ REPRESENTATIVE**

### **3. APPOINTMENT AND REMOVAL**

#### **3.1. Appointment**

The Mortgage Pandbrieven Holders’ Representative has been appointed by the Issuer as Mortgage Pandbrieven Holders’ Representative of the Mortgage Pandbrieven Holders in accordance with Article 14, §2 of Annex III to the Banking Law upon the terms and conditions set out in the Mortgage Pandbrieven Holders Representative Agreement and herein.

As long as the Mortgage Pandbrieven are outstanding, there shall at all times be a Mortgage Pandbrieven Holders’ Representative of the Mortgage Pandbrieven Holders in accordance with Article 14, §2 of Annex III to the Banking Law.

The Mortgage Pandbrieven Holders’ Representative protects the interests of the Mortgage Pandbrieven Holders and hereto has the power to exercise the rights conferred on it by the Conditions, the Meeting Rules, the Mortgage Pandbrieven Holders Representative Agreement and the Belgian Covered Bond Regulations. In connection with the exercise of its functions (including but not limited to those referred to in these Meeting Rules) the Mortgage Pandbrieven Holders’ Representative shall have regard to the interests of the Mortgage Pandbrieven Holders under the Programme and Other Cover Pool Creditors (in accordance with Clause 4.3), and shall not have regard to the consequences of such exercise for individual Mortgage Pandbrieven Holders and the Mortgage Pandbrieven Holders’ Representative shall not be entitled to require, nor shall any Mortgage Pandbrieven Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Mortgage Pandbrieven Holders.

By reason of holding Mortgage Pandbrieven, each Mortgage Pandbrieven Holder:

- (a) recognises the Mortgage Pandbrieven Holders’ Representative as its Mortgage Pandbrieven Holders’ Representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Mortgage Pandbrieven Holders’ Representative in such capacity as if such Mortgage Pandbrieven Holder were a signatory thereto;
- (b) acknowledges and accepts that the Issuer shall not be liable, except in case of fraud, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Mortgage Pandbrieven Holders as a result of the performance by the Mortgage Pandbrieven Holders’ Representative of its duties or the exercise of any of its rights under the Conditions; and
- (c) agrees that the Issuer, as agreed in the Mortgage Pandbrieven Holders Representative Agreement, shall pay to the Mortgage Pandbrieven Holders’ Representative a remuneration for its services as Mortgage Pandbrieven Holders’ Representative.

#### **3.2. Retirement and removal**

##### **3.2.1. Conditions for Removal**

As long as Mortgage Pandbrieven are outstanding, the Mortgage Pandbrieven Holders' Representative shall not retire and may only be removed from its duties under the Mortgage Pandbrieven Holders Representative Agreement, the Meeting Rules or any other Programme Document by means of a Programme Resolution:

(a) if any of the following events occurs, namely:

- (i) an order is made or an effective resolution is passed for the dissolution (*ontbinding / dissolution*) of the Mortgage Pandbrieven Holders' Representative except a dissolution (*ontbinding / dissolution*) for the purpose of a merger where the Mortgage Pandbrieven Holders' Representative remains solvent; or
- (ii) the Mortgage Pandbrieven Holders' Representative ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of its debts or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or
- (iii) the Mortgage Pandbrieven Holders' Representative defaults in the performance or observance of any of its material covenants and obligations under the Conditions, Mortgage Pandbrieven Holders Representative Agreement or any other Programme Document and (except where such default is incapable of remedy, when no such continuation and/or notice shall be required) such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Mortgage Pandbrieven Holders' Representative becoming aware of such default and receipt by the Mortgage Pandbrieven Holders' Representative of written notice from the Issuer requiring the same to be remedied; or
- (iv) the Mortgage Pandbrieven Holders' Representative becomes subject to any bankruptcy (*faillissement / faillite*), judicial reorganisation (*gerechtelijke reorganisatie / réorganisation judiciaire*), as applicable, or other insolvency procedure under applicable laws; or
- (v) the Mortgage Pandbrieven Holders' Representative is unable to perform its material obligations under the Conditions or the Mortgage Pandbrieven Holders Representative Agreement for a period of twenty (20) Business Days by circumstances beyond its reasonable control or *force majeure*;

(b) provided that:

- (i) in the same Programme Resolution a substitute Mortgage Pandbrieven Holders' Representative is appointed; and
- (ii) such substitute Mortgage Pandbrieven Holders' Representative meets all legal requirements to act as Mortgage Pandbrieven Holders' Representative and accepts to be bound by the terms of the Conditions, the Meeting Rules and the Programme Documents in the same way as its predecessor.

### 3.2.2.Procedure

(a) Termination

Upon the Programme Resolution as provided for by Clause 3.2.1 (*Conditions for Removal*) the Issuer shall provide notice in writing to the Mortgage Pandbrieven Holders' Representative of the termination of the powers delegated to it under the Mortgage Pandbrieven Holders Representative Agreement and the Programme Documents.

The termination of the Mortgage Pandbrieven Holders Representative Agreement (1) shall take effect from a date (not earlier than the date of the notice) specified in the notice and (2) shall also terminate the appointment and power of attorney by the Other Cover Pool Creditors.

(b) Substitute Mortgage Pandbrieven Holders' Representative

The appointment of the substitute Mortgage Pandbrieven Holders' Representative in accordance with the Programme Resolution referred to in Clause 3.2.2(a) above shall become automatically effective upon the termination of the Mortgage Pandbrieven Holders' Representative becoming effective and at such time all rights and powers granted to the then acting Mortgage Pandbrieven Holders' Representative shall terminate and shall automatically be vested in the substitute Mortgage Pandbrieven Holders' Representative. All references to the Mortgage Pandbrieven Holders' Representative in the Programme Documents shall where and when appropriate be read as references to the substitute Mortgage Pandbrieven Holders' Representative as selected and upon vesting of rights and powers pursuant this Clause.

**3.3. Appointment of the Management Board of the Mortgage Pandbrieven Holders' Representative**

Pursuant to the Mortgage Pandbrieven Holders' Representative's articles of association, the management board (*bestuur*) of the Mortgage Pandbrieven Holders' Representative shall initially consist of one (1) member, being Amsterdamsch Trustee's Kantoor B.V..

Except as set forth in Clause 3.4 below, any other board member to the management board will be appointed by the management board or, if there are no more board members in office, one or more board members can be appointed by a Programme Resolution.

**3.4. Resignation and Removal of the Management Board of the Mortgage Pandbrieven Holders' Representative**

Pursuant to the Mortgage Pandbrieven Holders' Representative's articles of association, membership of the management board shall end in the following cases:

- (a) by written resignation;
- (b) in case of a natural person, by death;
- (c) by bankruptcy, moratorium or if and when a debt application natural persons (*schuldsanering natuurlijke personen*) becomes applicable on a board member;
- (d) by placement under guardianship (*ondercuratelestelling*), as well as by a court order whereby as a result of his physical or mental condition an administrator is appointed over one or more of the goods of the board member concerned;
- (e) by dismissal ordered by the Court;

- (f) if the board consists of more than two members, by dismissal by board resolution adopted unanimously by all board members in position, the person involved excluded;
- (g) by dismissal by the Bondholders Meeting;
- (h) in case of a legal person, by dissolution.

## **4. POWERS**

### **4.1. Powers**

The Mortgage Pandbrieven Holders' Representative, acting in its own name and on behalf of the Mortgage Pandbrieven Holders shall have the powers and authorities set forth in the Belgian Covered Bond Regulations, the Mortgage Pandbrieven Holders Representative Agreement, the Conditions and in any of the Programme Documents to which it is a party and such powers incidental thereto, which it will exercise in accordance with and subject to the provisions of the Belgian Covered Bond Regulations, the Mortgage Pandbrieven Holders Representative Agreement, the Conditions and the Programme Documents. In particular, but without limitation, the Mortgage Pandbrieven Holders' Representative, acting in its own name and on behalf of the Mortgage Pandbrieven Holders shall have the power:

- (a) to represent the Mortgage Pandbrieven Holders as provided for in Article 14 of Annex III to the Banking Law;
- (b) to exercise all other powers and rights and perform all duties given to the Mortgage Pandbrieven Holders' Representative under the Conditions including the Meeting Rules, the Programme Documents and the Belgian Covered Bond Regulations;
- (c) upon service of a Notice of Default, to proceed against the Issuer to enforce the performance of the Programme Documents and the Conditions on behalf of the Mortgage Pandbrieven Holders and the Other Cover Pool Creditors represented by it;
- (d) to collect all proceeds in the course of enforcing the rights of the Mortgage Pandbrieven Holders and the Other Cover Pool Creditors represented by it;
- (e) to apply or to direct the application of the proceeds of enforcement in accordance with the Conditions; and
- (f) generally, to do all things necessary in connection with the performance of such powers and duties.

The Mortgage Pandbrieven Holders' Representative may act in court and represent the Mortgage Pandbrieven Holders or Other Cover Pool Creditors (provided such Other Cover Pool Creditors previously agreed with the representation in accordance with the provisions of the Mortgage Pandbrieven Holders Representative Agreement) in any bankruptcy or similar insolvency proceedings, without having to reveal the identity of the Mortgage Pandbrieven Holders or Other Cover Pool Creditors it represents.

### **4.2. Delegation**

The Mortgage Pandbrieven Holders' Representative may delegate the performance of any of the powers listed in this Clause 4 (*Powers*) to any persons (including any legal entity) whom it may designate.



Notwithstanding any sub-contracting or delegation of the performance of its obligations hereunder or under the Programme Documents or under the Mortgage Pandbrieven Holders Representative Agreement, the Mortgage Pandbrieven Holders' Representative shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of the Mortgage Pandbrieven Holders' Representative and shall be jointly and severally liable for the performance or non-performance or the manner of performance of any sub-contractor, agent or delegate and such sub-contracting or delegation shall not affect the Mortgage Pandbrieven Holders' Representative's obligations hereunder, under the Programme Documents to which it is a party or under the Mortgage Pandbrieven Holders Representative Agreement. The Mortgage Pandbrieven Holders' Representative shall, prior to such appointment, give notice to the Issuer of the appointment of any delegate and any renewal, extension and termination of such appointment.

#### **4.3. Representation of Other Cover Pool Creditors**

##### **4.3.1. Representation of Other Cover Pool Creditors**

The Mortgage Pandbrieven Holders' Representative may also be appointed to represent Other Cover Pool Creditors provided that such Other Cover Pool Creditors agree with such representation.

In relation to any duties, obligations and responsibilities of the Mortgage Pandbrieven Holders' Representative to these Other Cover Pool Creditors in its capacity as agent of these Other Cover Pool Creditors, the Mortgage Pandbrieven Holders' Representative and these Other Cover Pool Creditors will agree and the Issuer will concur, that the Mortgage Pandbrieven Holders' Representative shall discharge these duties, obligations and responsibilities by performing and observing its duties, obligations and responsibilities as representative of the Mortgage Pandbrieven Holders in accordance with the provisions of the Mortgage Pandbrieven Holders Representative Agreement, the Programme Documents and the Conditions including these Meeting Rules.

##### **4.3.2. Conflicts between Mortgage Pandbrieven Holders and Other Cover Pool Creditors**

The Mortgage Pandbrieven Holders' Representative shall, as regards the powers, authorities and discretions vested in it, except where expressly provided otherwise, have regard to the interests of both the Mortgage Pandbrieven Holders of all Series and the Other Cover Pool Creditors that have agreed to be represented by the Mortgage Pandbrieven Holders' Representative but if, in the opinion of the Mortgage Pandbrieven Holders' Representative, there is a conflict between the interests the Mortgage Pandbrieven Holders and those Other Cover Pool Creditors, the Mortgage Pandbrieven Holders' Representative will have regard solely to the interest of the Mortgage Pandbrieven Holders, but, for the avoidance of doubt, without prejudice to the applicable priority of payments.

### **5. INSTRUCTIONS AND INDEMNITY**

The Mortgage Pandbrieven Holders' Representative shall not be bound to take any action under its powers or duties unless:

- (a) it shall have been directed to do so by an Extraordinary Resolution of the Mortgage Pandbrieven Holders in accordance with the Meeting Rules or, in relation to the service of a Notice of Default pursuant to Condition 8.1 (*Events of Default*), it shall have been (x) requested to do so by a request in writing by the holders of not less than 25% of the

aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding (but excluding the Mortgage Pandbrieven held by the Issuer for the calculation of the percentage) or (y) so directed by a Programme Resolution; and

- (b) it shall in all cases have been indemnified, prefunded or secured to its satisfaction against all liability, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by it in connection therewith, save where these are due to its own gross negligence, wilful misconduct or fraud.

Whenever the interests of the Mortgage Pandbrieven Holders are or can be affected in the opinion of the Mortgage Pandbrieven Holders' Representative, the Mortgage Pandbrieven Holders' Representative may – if indemnified, prefunded or secured to its satisfaction – take legal action on behalf of the Mortgage Pandbrieven Holders and represent the Mortgage Pandbrieven Holders in any insolvency proceeding and any other legal proceedings initiated against the Issuer or any other party to a Programme Document.

The Mortgage Pandbrieven Holders' Representative can under no circumstances, including the situation wherein Mortgage Pandbrieven Holders' instruction or approval cannot be obtained for whatever reason, be required to act without it being remunerated and indemnified or secured to its satisfaction.

The Mortgage Pandbrieven Holders' Representative shall be indemnified by the Issuer and held harmless, in respect of any and all liabilities and expenses incurred by it or by anyone appointed by it or to whom any of its functions may be delegated by it in carrying out its functions.

## **6. REPORTING, LIABILITY, EXONERATION AND INDEMNIFICATION OF THE MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE**

### **6.1. Reporting**

If so requested in advance by the Issuer or the Cover Pool Administrator, as applicable, the Mortgage Pandbrieven Holders' Representative shall report to the Meeting on the performance of its duties under the Mortgage Pandbrieven Holders Representative Agreement, the Meeting Rules and the Programme Documents (the **Report**) provided such request is notified by registered mail no later than ten (10) Business Days prior to the relevant Meeting.

The Issuer or the Cover Pool Administrator, as applicable, shall require a Report if so instructed by those Mortgage Pandbrieven Holders who have requested that such Meeting be convened.

### **6.2. Liabilities and Exoneration**

The Mortgage Pandbrieven Holders Representative Agreement contains provisions governing the responsibility (and relief from responsibility) of the Mortgage Pandbrieven Holders' Representative and providing for its indemnification in certain circumstances, including provisions relieving the Mortgage Pandbrieven Holders' Representative from taking enforcement proceedings unless indemnified to its satisfaction.

The Mortgage Pandbrieven Holders' Representative shall not be liable to the Issuer or any of the Mortgage Pandbrieven Holders or the Other Cover Pool Creditors represented by it in respect of any loss or damage which arises out of the exercise, or the attempted exercise of, or the failure to exercise any of its powers or any loss resulting therefrom, except that the Mortgage Pandbrieven Holders' Representative shall be liable for such loss or damage that is caused by its gross negligence, wilful misconduct or fraud.

The Mortgage Pandbrieven Holders' Representative shall not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Cover Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Issuer or any agent or related company of the Issuer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons.

The Mortgage Pandbrieven Holders' Representative shall have no liability for any breach of or default under its obligations under the Mortgage Pandbrieven Holders Representative Agreement if and to the extent that such breach is caused by any failure on the part of the Issuer, any of the Other Cover Pool Creditors (other than the Mortgage Pandbrieven Holders' Representative) to duly perform any of their material obligations under any of the Programme Documents. In the event that the Mortgage Pandbrieven Holders' Representative is rendered unable to duly perform its obligations under the Mortgage Pandbrieven Holders Representative Agreement by any circumstances beyond its control (*overmacht/force majeure*), the Mortgage Pandbrieven Holders' Representative shall not be liable for any failure to carry out its obligations under the Mortgage Pandbrieven Holders Representative Agreement which are thus affected by the event in question and, for so long as such circumstances continue, its obligations under the Mortgage Pandbrieven Holders Representative Agreement which are thus affected will be suspended without liability for the Mortgage Pandbrieven Holders' Representative.

The Mortgage Pandbrieven Holders' Representative shall not be responsible for monitoring the compliance by any of the other parties (including the Issuer and the Cover Pool Monitor) with their obligations under the Programme Documents. The Mortgage Pandbrieven Holders' Representative may, until it has actual knowledge or express notice to the contrary, assume the Issuer and the Cover Pool Monitor are observing and performing all their obligations under any of the Programme Documents and in any notices or acknowledgements delivered in connection with any such Programme Documents.

The Mortgage Pandbrieven Holders' Representative shall not be responsible for ensuring that the Issuer complies with the obligations applicable to it under the Belgian Covered Bond Regulations or that any asset is duly registered in the Cover Register and the Cover Register is duly maintained.

Except if such meeting is convened by the Mortgage Pandbrieven Holders' Representative or the passing of a Written Resolution has been organised by the Mortgage Pandbrieven Holders' Representative, the Mortgage Pandbrieven Holders' Representative shall not be liable for acting upon (i) any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or (ii) a direction of the requisite percentage of Mortgage Pandbrieven Holders. This limitation of liability will apply, even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or passing of the Written Resolution or the giving of such direction or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any meeting or the giving of the direction was not valid or binding upon such Mortgage Pandbrieven Holders, except if and to the extent any defect has arisen directly from the Mortgage Pandbrieven Holders' Representative's gross negligence, wilful misconduct or fraud.

### 6.3. Indemnity

If the Mortgage Pandbrieven Holders' Representative has acted upon a resolution, Written Resolution or direction as referred to in 6.2 above, each Mortgage Pandbrieven Holder shall forthwith on demand indemnify the Mortgage Pandbrieven Holders' Representative for its *pro rata* share in any liability, loss or expense incurred or expected to be incurred by the Mortgage

Pandbrieven Holders' Representative in any way relating to or arising out of its acting as Mortgage Pandbrieven Holders' Representative in respect of that resolution, Written Resolution or direction, except if and to the extent that the liability or loss arises directly from the Mortgage Pandbrieven Holders' Representative's gross negligence, wilful misconduct or fraud. The liability shall be divided between the Mortgage Pandbrieven Holders *pro rata* according to the respective Principal Amount Outstanding of the Mortgage Pandbrieven held by each of them respectively.

## **7. MODIFICATIONS BY THE MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE**

### **7.1. Waivers**

#### 7.1.1. Waivers

The Mortgage Pandbrieven Holders' Representative may in its sole discretion, without the consent of the Mortgage Pandbrieven Holders and without prejudice to its rights in respect of any further or other breach, condition, event or act from time to time and at any time, but only if and in so far as in its opinion the interests of the Mortgage Pandbrieven Holders will not be materially prejudiced thereby:

- (a) authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed or actual breach of any of the covenants or provisions contained in or arising pursuant to the Mortgage Pandbrieven Holders Representative Agreement, the Mortgage Pandbrieven or any of the Programme Documents, or
- (b) determine that any breach shall not be (subject to specified conditions or not) treated as such.

Any such authorisation, waiver or determination pursuant to this clause shall be binding on the Mortgage Pandbrieven Holders and notice thereof shall be given to the Mortgage Pandbrieven Holders and the Rating Agencies

#### 7.1.2. Reliance

In determining whether or not any power, trust, authority, duty or discretion or any change, event or occurrence under or in relation to the Conditions or any of the Programme Documents will be materially prejudicial to the interests of Mortgage Pandbrieven Holders, the Mortgage Pandbrieven Holders' Representative shall be able to rely on, and act on any advice or opinion of or any certificate obtained from a valuer, accountant, banker, broker, securities company or other company other than the Rating Agencies whether obtained by itself or the Issuer and it shall not be liable for any loss occasioned by such action, save where such loss is due to its gross negligence, wilful misconduct or fraud.

### **7.2. Amendments**

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

- (a) any modification (other than in respect of a Basic Term Change) of the terms and conditions applying to the Mortgage Pandbrieven of one or more Series (including the Conditions) or any Programme Document provided that in the sole opinion of the Mortgage Pandbrieven Holders' Representative such modification is not materially prejudicial to the interests of any of the Mortgage Pandbrieven Holders of such Series, or
- (b) any modification of the terms and conditions applying to Mortgage Pandbrieven of any one or more Series (including the Conditions) or any Programme Document which is in the sole opinion of the Mortgage Pandbrieven Holders' Representative of a formal, minor or technical nature or is to correct a manifest error or to comply with applicable mandatory statutory provisions or would cause such terms and conditions of the Mortgage Pandbrieven or provision of any Programme Document to better reflect or comply with the provisions and requirements of the Belgian Covered Bond Regulations.

In no event may such modification be a Basic Term Change. The Mortgage Pandbrieven Holders' Representative shall not be bound to give notice to Mortgage Pandbrieven Holders of any modifications to the Programme Documents agreed pursuant to this Clause.

The Issuer or the Cover Pool Administrator, as applicable, shall cause notice of any modification in this Clause 7.2 to be given to the Rating Agencies and the Domiciliary Agent.

If, in the Mortgage Pandbrieven Holders' Representative's opinion it is not sufficiently established that the proposed amendment or variation can be approved by it in accordance with this Clause, it will determine in its full discretion whether to submit the proposal to a duly convened Meeting or to refuse the proposed amendment or variation.

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

Notwithstanding the foregoing, upon the Issuer's request, the Mortgage Pandbrieven Holders' Representative shall, without the consent or sanction of any of the Mortgage Pandbrieven Holders, concur with the Issuer in making any modifications to the Special Estate Administration Terms in relation to future issues of Mortgage Pandbrieven under the Programme provided that (i) the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing that it reasonably believes such modifications will not affect the

then current ratings assigned by a Rating Agency to any Series of Mortgage Pandbrieven issued under the Programme and (ii) the Issuer certifies to the Mortgage Pandbrieven Holders' Representative in writing that these modifications will not affect the rights of holders of Mortgage Pandbrieven already issued under the Programme, provided that the Mortgage Pandbrieven Holders' Representative shall not be obliged to agree to any modification which, in the sole opinion of the Mortgage Pandbrieven Holders' Representative, as applicable, would have the effect of (i) exposing the Mortgage Pandbrieven Holders' Representative, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the protections, of the Mortgage Pandbrieven Holders' Representative, as applicable in the Meeting Rules. For avoidance of doubt, such modification may include, without limitation, modifications which would allow any hedge counterparty and/or liquidity facility provider not to post collateral in circumstances where it previously would have been obliged to do so.

## PART 3 – MEETING RULES

### 8. MEETING ATTENDANCE

#### 8.1. General

Subject to the provisions of this Clause 8 (*Meeting Attendance*) the following persons may attend and speak at a Meeting:

- (a) Mortgage Pandbrieven Holders and their proxies;
- (b) the chairman; and
- (c) the Issuer, the Mortgage Pandbrieven Holders' Representative, the Cover Pool Monitor, the Cover Pool Administrator, the Dealers (through their respective officers, employees, advisers, agents or other Mortgage Pandbrieven Holders' Representatives) and their financial and legal advisers.

#### 8.2. Proxies

Mortgage Pandbrieven Holders may be represented at a Meeting by proxies authorised by a power of attorney that is duly dated and signed by a Mortgage Pandbrieven Holder (a **Power of Attorney**). Proxies need not to be Mortgage Pandbrieven Holders.

The Issuer or the Cover Pool Administrator, as applicable, may determine the form of the Power of Attorney.

#### 8.3. Dematerialised Mortgage Pandbrieven

- (a) With respect to Dematerialised Mortgage Pandbrieven, save as expressly provided otherwise herein, no person shall be entitled to attend or to vote at any Meeting unless he (1) is a proxy or (2) he produces the Voting Certificate as defined in Clause 8.3 (b).
- (b) **Voting Certificate** means: a voting certificate in Dutch or French (with a translation in English) issued by the Recognised Accountholder or the Securities Settlement System and dated in which it is stated:

- (i) that on the date thereof Dematerialised Covered Bond (not being Dematerialised Mortgage Pandbrieven in respect of which a Block Voting Instruction (as defined below in Clause 8.3.(c)) has been issued and is outstanding in respect of the Meeting specified in such certificate and any such adjourned Meeting) of a specified Principal Amount Outstanding were (to the satisfaction of such Recognised Accountholder or Securities Settlement System) held to its order or under its control and blocked by it and that no such Dematerialised Mortgage Pandbrieven will cease to be so held and blocked until the first to occur of:
    - the conclusion of the Meeting specified in such certification or, if applicable, any adjourned Meeting; and
    - the surrender of the certificate to the Recognised Accountholder or Securities Settlement System who issued the same; and
  - (ii) that until the release of the Dematerialised Mortgage Pandbrieven represented thereby the bearer thereof is entitled to attend and vote at such Meeting and any such adjourned meeting in respect of the Dematerialised Mortgage Pandbrieven represented by such certificate.
- (c) Block Voting Instruction means a document in Dutch or French (with a translation in English) issued by the Recognised Accountholder or Securities Settlement System and dated in which:
- (i) it is certified that Dematerialised Mortgage Pandbrieven (not being Dematerialised Mortgage Pandbrieven in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction and any such adjourned meeting) of a specified Principal Amount Outstanding were (to the satisfaction of such Recognised Accountholder or Securities Settlement System) held to its order or under its control and blocked by it and that no such Dematerialised Mortgage Pandbrieven will cease to be so held and blocked until the first to occur of
    - the conclusion of the Meeting specified in such document or, if applicable, any such adjourned Meeting; and
    - the giving of notice by the Recognised Accountholder or the Securities Settlement System to the Issuer in accordance with Clause 14.3 hereof, stating that certain of such Dematerialised Mortgage Pandbrieven cease to be held with it or under its control and blocked and setting out the necessary amendment to the Block Voting Instruction;
  - (ii) it is certified that each holder of such Dematerialised Mortgage Pandbrieven has instructed such Recognised Accountholder or Securities Settlement System, that the vote(s) attributable to the Dematerialised Covered Bond or Dematerialised Mortgage Pandbrieven so held and blocked should be cast in a particular way in relation to the resolution or resolutions to be put to such Meeting or any such adjourned meeting and that all such instructions are during the period commencing three (3) Business Days prior to the time for which such Meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof neither revocable nor capable of amendment;

- (iii) the nominal amount of the Dematerialised Mortgage Pandbrieven so held and blocked is stated, distinguishing with regard to each resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (iv) one or more persons named in such document (each hereinafter called a proxy) is or are authorised and instructed by such Recognised Accountholder or Securities Settlement System to cast the votes attributable to the Dematerialised Mortgage Pandbrieven so listed in accordance with the instructions referred to in paragraph (ii) above as set out in such document

#### **8.4. Registered Mortgage Pandbrieven**

With respect to Registered Mortgage Pandbrieven, save as expressly provided otherwise herein, no person shall be entitled to attend or vote at any Meeting unless:

- (a) it appears from the register held in accordance with Article 462 et seq. of the Belgian Company Code that the relevant person is registered as a holder of Registered Mortgage Pandbrieven, or
- (b) such person is authorised and instructed, by means of a Power of Attorney to cast the votes attributable to a holder of Registered Mortgage Pandbrieven.

### **9. CONVENING A MEETING**

#### **9.1. Initiative**

##### **9.1.1. Single Series**

The meeting:

- (a) may be convened by the Issuer, or upon its appointment the Cover Pool Administrator, as applicable, or the Mortgage Pandbrieven Holders' Representative; and
- (b) shall be convened by the Issuer, or upon its appointment the Cover Pool Administrator, as applicable, upon the request in writing signed by Mortgage Pandbrieven Holders holding not less than one fifth of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of the relevant Series.

##### **9.1.2. Multiple Series**

The Mortgage Pandbrieven Holders' Representative can convene a meeting of Mortgage Pandbrieven Holders of more than one Series if in the opinion of the Mortgage Pandbrieven Holders' Representative (i) the subject matter of the Meeting is relevant to the Mortgage Pandbrieven Holders of each of those Series and (ii) there is no conflict between the Mortgage Pandbrieven Holders of the relevant Series, in which case these Meeting Rules shall apply *mutatis mutandis*

#### **9.2. Time, Place and Notice**

##### **9.2.1. Time and Place**



Every Meeting shall be held at a time and place approved by the Mortgage Pandbrieven Holders' Representative.

#### 9.2.2. Notice

At least fifteen (15) calendar days' notice (exclusive of the day on which the notice is given and the day on which the Meeting is held) specifying the day, time and place of the Meeting shall be given to the Mortgage Pandbrieven Holders in the manner provided by Condition 19 (*Notices*).

Such notice shall include the agenda of the Meeting. The agenda shall state the nature of the business to be transacted at the Meeting thereby convened and specify the terms of any resolution to be proposed. Such notice shall include a statement to the effect that Dematerialised Mortgage Pandbrieven must be held with or under the control of and blocked by (i) a Recognised Accountholder (as defined below) (ii) as the case may be, the Securities Settlement System for the purpose of obtaining Voting Certificates or appointing proxies until three (3) Business Days before the time fixed for the Meeting but not thereafter.

### 10. CHAIRMAN

#### 10.1. Appointment

The Issuer may appoint a chairman (who may, but need not be, a Mortgage Pandbrieven Holder). Failing such choice the Mortgage Pandbrieven Holders' Representative may appoint a chairman in writing, but if no such appointment is made or if the person appointed is not present within fifteen (15) minutes after the time fixed for the Meeting, the Meeting shall be chaired by the person elected by the majority of the voters present, failing which, the Mortgage Pandbrieven Holders' Representative shall appoint a chairman.

#### 10.2. Adjourned Meeting

The chairman of an adjourned Meeting held in accordance with the provisions in Clause 12 (*Adjourned Meeting*) needs not to be the same person as was chairman at the original Meeting.

### 11. QUORUM

#### 11.1. General provisions

Mortgage Pandbrieven held by the Issuer shall not be taken into account for the calculation of the required quorum in accordance with this Clause 11 (*Quorum*).

For the avoidance of doubt, any modification (regardless of whether such modification is a Basic Term Change or not), shall require the consent of the Issuer, except that no such consent shall be required in relation to a Programme Resolution.

#### 11.2. Ordinary Resolutions and Extraordinary Resolutions (other than a Basic Term Change)

The quorum at any Meeting the purpose of which is to pass an Ordinary Resolution or an Extraordinary Resolution concerning matters referred to under Clauses 13.2(a) to 13.2(e), will be one or more persons holding or representing at least 50 per cent. of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of the relevant Series, or, at an adjourned meeting in accordance with the provisions of Clause 12 (*Adjourned Meeting*), one or more persons being or representing Mortgage Pandbrieven Holders of the relevant Series for

the time being outstanding, whatever the Series Principal Amount Outstanding of the Mortgage Pandbrieven so held or represented.

### 11.3. Basic Term Change

At any Meeting the purpose of which is to pass an Extraordinary Resolution concerning a Basic Term Change, the quorum will be one or more persons holding or representing not less than two thirds of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of such Series or, at any adjourned meeting, one or more persons being or representing not less than one third of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven of such Series for the time being outstanding.

### 11.4. Programme Resolutions

The quorum at any Meeting the purpose of which is to pass a Programme Resolution concerning matters referred to under Clauses 13.3(a) to 13.3(d), will be one or more persons holding or representing at least 50 per cent. of the aggregate Principal Amount Outstanding of the Mortgage Pandbrieven of all Series taken together as a single Series, or, at an adjourned meeting in accordance with the provisions of Clause 12 (*Adjourned Meeting*), one or more persons being or representing Mortgage Pandbrieven Holders for the time being outstanding, whatever the Series Principal Amount Outstanding of the Mortgage Pandbrieven so held or represented.

At any Meeting the purpose of which is to pass a Programme Resolution concerning matters referred to under Clause 13.3(e), the quorum will be one or more persons holding or representing not less than two thirds of the aggregate Principal Amount Outstanding of the Mortgage Pandbrieven of all Series taken together as a single Series, including at an adjourned meeting.

### 11.5. Non-quorate meeting

No business (except choosing a chairman) shall be transacted at a Meeting unless a quorum as required by this Clause 11 (*Quorum*) is present at the commencement of the Meeting.

If a quorum is not present within fifteen (15) minutes from the time initially fixed for the Meeting, it shall, if convened on the request of the Mortgage Pandbrieven Holders, be dissolved. In any other case it shall be adjourned in accordance with the provisions with regard to Adjourned Meetings under Clause 12 (*Adjourned Meeting*).

### 11.6. Overview

<b>Purpose of the meeting</b>	<b>Required proportion for an initial meeting to be quorate</b>	<b>Required proportion for an adjourned meeting to be quorate</b>
To pass any Ordinary Resolution	50%	No minimum proportion
To pass any Extraordinary Resolution concerning matters referred to under Clauses 13.2(a) to	50%	No minimum proportion

13.2(e)		
To pass any Extraordinary Resolution concerning matters referred to under Clauses 13.2(f) to 13.2(i)	Two thirds	One third
To pass any Programme Resolution concerning matters referred to under Clauses 13.3(a) to 13.3(d)	50%	No minimum proportion
To pass any Programme Resolution concerning matters referred to under Clause 13.3(e)	Two thirds	Two thirds

## 12. ADJOURNING MEETING

### 12.1. Convening

The chairman may with the consent of (and shall if directed by) the Meeting, adjourn the same “from time to time and from place to place” (the **Adjourned Meeting**).

The chairman may determine the time and place of the Adjourned Meeting that shall take place. In the event of a non-quorate Meeting (in accordance with the provisions of Clause 11.5) the Adjourned Meeting shall take place not less than fourteen (14) nor more than forty-two (42) calendar days upon the original Meeting from which the adjournment took place.

Notice of any Adjourned Meeting shall be given in the same manner as for a Meeting, and such notice shall state the quorum required at the Adjourned Meeting.

### 12.2. Agenda

No business shall be transacted at any Adjourned Meeting except business which could have been transacted at the original Meeting from which the adjournment took place.

## 13. POWERS OF MEETINGS

### 13.1. Ordinary Resolutions

A Meeting shall, subject to the Conditions and only with the consent of the Issuer, and without prejudice to any powers conferred on other persons by these Meeting Rules, have power to decide by Ordinary Resolution on any business which is not listed under Clause 13.2 (*Extraordinary Resolutions*) or under Clause 13.3 (*Programme Resolutions*).

### 13.2. Extraordinary Resolutions

A Meeting shall, subject to the Conditions and only with the consent of the Issuer, and without prejudice to any powers conferred on other persons by these Meeting Rules, have power by Extraordinary Resolution:

- (a) to approve any modification, abrogation, variation or compromise in respect of (i) the rights of the Mortgage Pandbrieven Holders' Representative, the Issuer, the Mortgage Pandbrieven Holders or any of them, whether such rights arise under the Programme Documents or otherwise, and (ii) these Meeting Rules, the Conditions, any Programme Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Mortgage Mortgage Pandbrieven, other than a Basic Term Change;
- (b) to discharge or exonerate, whether retrospectively or otherwise, the Mortgage Pandbrieven Holders' Representative from any liability in relation to any act or omission for which the Mortgage Pandbrieven Holders' Representative has or may become liable pursuant or in relation to these Meeting Rules, the Conditions or any Programme Document;
- (c) to give any authority or approval which under these Meeting Rules or the Conditions is required to be given by Extraordinary Resolution;
- (d) to authorise the Mortgage Pandbrieven Holders' Representative (subject to it being indemnified and/or secured to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (e) to waive any breach or authorise any proposed breach by the Issuer of its obligations in respect of the Mortgage Pandbrieven or to waive the occurrence of an Event of Default;
- (f) to approve any reduction or cancellation of the amount payable or, where applicable, a modification of the method of calculating the amount payable or a modification of the date of payment or, where applicable, a modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Mortgage Pandbrieven other than in accordance with the terms thereof;
- (g) to approve any alteration of the currency in which payments under the Mortgage Pandbrieven are to be made;
- (h) to approve any alteration of the quorum or majority required to pass an Extraordinary Resolution; and
- (i) to approve any scheme or proposal for the exchange or sale of the Mortgage Pandbrieven for or the conversion of the Mortgage Pandbrieven into, or the cancellation of the Mortgage Pandbrieven in consideration of, shares, stock, Mortgage Pandbrieven, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Mortgage Pandbrieven, debentures, debenture stock and/or other obligations.

### 13.3. Programme Resolutions

A Meeting shall, subject to the Conditions, and without prejudice to any powers conferred on other persons by these Meeting Rules, have power by Programme Resolution:

- (a) to appoint, remove or replace the Mortgage Pandbrieven Holders' Representative in accordance with Clause 3.2 (*Retirement and Removal*) above or a member of the management board in accordance with Clause 3.4 (*Resignation and Removal of the Management Board of the Mortgage Pandbrieven Holders' Representative*) above;
- (b) to direct the Mortgage Pandbrieven Holders' Representative to service a Notice of Default;
- (c) with the consent of the Issuer (or, if applicable, the Cover Pool Administrator on behalf of the Special Estate), to amend the Special Estate Administration Terms;
- (d) to consider the decision or proposal of the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 6° of Annex III to the Banking Law; and
- (e) to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° of Annex III to the Banking Law.

## **14. VOTING**

### **14.1. General Provisions**

#### 14.1.1. Voting by show of hands

Every question submitted to a Meeting shall be decided in the first instance by a show of hands, then by a poll subject to the provisions of Clause 14.1.2 (*Voting by poll*).

#### 14.1.2. Voting by poll

At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman, the Issuer or the Cover Pool Administrator, as applicable, one or more persons holding Voting Certificates in respect of the Dematerialised Mortgage Pandbrieven or proxies holding or representing in the aggregate not less than 2 per cent. of the relevant Series of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven, a declaration by the chairman that a resolution has passed or not passed, shall be conclusive evidence, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If at any Meeting a poll is so demanded, it shall be taken in such manner and (subject as hereinafter provided) either at once or after such an adjournment as the chairman directs. The result of such poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the Meeting for the transaction of any business other than the question on which the poll has been demanded.

Any poll demanded at any Meeting on the election of a chairman or on any question of adjournment shall be taken at the Meeting without adjournment.

#### 14.1.3. Mortgage Pandbrieven held by the Issuer

In case Mortgage Pandbrieven are held by the Issuer, the Issuer shall not have any voting rights with respect to such Mortgage Pandbrieven.

#### 14.1.4. Registered Mortgage Pandbrieven

The formalities and procedures to validly cast a vote at a Meeting in respect of Registered Mortgage Pandbrieven shall be such formalities and procedures as described by the Mortgage Pandbrieven Holders' Representative.

#### 14.1.5. Equality of votes

In case of equality of votes the chairman shall have a casting vote in addition to any other votes which he may have.

### 14.2. **Majority**

#### 14.2.1. Ordinary Resolutions

An Ordinary Resolution shall be validly passed by a simple majority of at least 50% of the aggregate Series Principal Amount Outstanding of the Series of Mortgage Pandbrieven for which votes have been cast plus one vote.

#### 14.2.2. Extraordinary Resolutions

An Extraordinary Resolution shall be validly passed by a voting majority of at least two thirds of the aggregate Series Principal Amount Outstanding of the Series of Mortgage Pandbrieven for which votes have been cast.

#### 14.2.3. Programme Resolutions

A Programme Resolution shall be validly passed by a simple majority of at least 50% of the aggregate Series Principal Amount Outstanding of the Mortgage Pandbrieven for which votes have been cast plus one vote.

### 14.3. **Voting Certificates and Block Voting Instructions regarding Dematerialised Mortgage Pandbrieven**

Any vote given in accordance with the terms of a Block Voting Instruction shall be valid notwithstanding the previous revocation or amendment of the Block Voting Instruction or of any Mortgage Pandbrieven Holder's instructions pursuant to which it was executed, provided that no confirmation in writing of such revocation or amendment shall have been received from the Securities Settlement System or Recognised Accountholder by the Issuer at its headquarters (Montagne du Parc 3, 1000 Brussels, Belgium or such other address as notified to the Mortgage Pandbrieven Holders in accordance with the Conditions) by the time being 24 hours before the commencement of the Meeting or Adjourned Meeting at which the Block Voting Instruction is intended to be used.

Voting Certificates and Block Voting Instructions will only be issued in respect of Dematerialised Mortgage Pandbrieven (to the satisfaction of such Recognised Accountholder or Securities Settlement System) held to the order or under the control and blocked by a Recognised Accountholder or Securities Settlement System not less than three (3) Business Days before the time for which the Meeting or the poll to which the same relate has been convened or called and shall be valid for so long as the relevant Dematerialised Mortgage Pandbrieven continue to be so held and blocked and during the validity thereof the holder of any such Voting Certificate or (as the case may be) the proxies named in any such Block Voting Instruction shall, for all purposes in connection with the relevant Meeting, be deemed to be the holder of the Dematerialised Mortgage Pandbrieven to which such Voting Certificate or Block Voting Instruction relates and the Recognised Accountholder or Securities Settlement System with which such Dematerialised Mortgage Pandbrieven have been deposited or to

whose order or under whose control they are held or the person holding them blocked as aforesaid shall be deemed for such purpose not to be the holder of those Dematerialised Mortgage Pandbrieven.

Each Voting Certificate and each Block Voting Instruction shall be deposited at the registered office of the Issuer not less than three Business Days before the time appointed for holding the meeting or adjourned meeting at which the holder of the Voting Certificate or the proxies named in the Block Voting Instruction propose to vote and in default of such deposit the Voting Certificate or Block Voting Instruction shall not be treated as valid unless the chairman of the general meeting decides otherwise before such Meeting or Adjourned Meeting proceeds to business.

## **15. MINUTES**

### **15.1. General**

Minutes of all resolutions and proceedings at every Meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Issuer and signed by the chairman and any such minutes as aforesaid shall be conclusive evidence of the matters therein contained, and until the contrary is proved each such meeting in respect of the proceedings of which minutes have been made and signed as aforesaid shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted thereat to have been duly passed or transacted.

### **15.2. Attachments**

An attendance list will be attached to the minutes.

### **15.3. Certified Copies**

Certified copies or extracts of the minutes shall be signed by two directors of the Issuer.

## **16. BINDING RESOLUTIONS**

### **16.1. Ordinary or Extraordinary Resolutions**

Any Ordinary or Extraordinary Resolution passed at a Meeting duly convened and held in accordance with these Meeting Rules shall be binding on all the Mortgage Pandbrieven Holders of the relevant Series, whether or not they are present at the Meeting and whether or not they vote in favour of such resolution.

### **16.2. Programme Resolutions**

Any Programme Resolution passed at a Meeting of all Series duly convened and held in accordance with these Meeting Rules shall be binding on all Mortgage Pandbrieven Holders of all Series, whether or not they are present at the Meeting and whether or not they vote in favour of such resolution.

### **16.3. Notice to Mortgage Pandbrieven Holders**

Save as the Mortgage Pandbrieven Holders' Representative may otherwise agree, the Issuer or the Cover Pool Administrator (as the case may be) shall give notice of the passing of a Resolution to the Mortgage Pandbrieven Holders in accordance with Condition 19 (*Notices*), within fourteen (14) calendar days of the conclusion of the meeting, but failure to do so shall not invalidate the Resolution.

## **17. WRITTEN RESOLUTIONS**

### **17.1. Format**

Written resolutions may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Mortgage Pandbrieven Holders.

### **17.2. Thresholds**

#### **17.2.1. Ordinary Resolutions**

A written resolution signed by the holders of 50 per cent. of the Series Principal Amount Outstanding of the relevant Series of the Mortgage Pandbrieven outstanding shall take effect as if it were an Ordinary Resolution.

#### **17.2.2. Extraordinary Resolutions**

A resolution in writing signed by or on behalf of holders of 75 per cent. of the Series Principal Amount Outstanding of the relevant Series of Mortgage Pandbrieven outstanding shall take effect as an Extraordinary Resolution.

#### **17.2.3. Programme Resolutions**

Except in relation to a Programme Resolution to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° of Annex III to the Banking Law, a resolution in writing signed by or on behalf of holders of 50 per cent. of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution.

A resolution in writing to direct the Cover Pool Administrator to proceed with the liquidation of the Special Estate and with the early redemption of the Mortgage Pandbrieven pursuant to Article 11, 7° of Annex III to the Banking Law signed by or on behalf of holders of 75 per cent. of the Series Principal Amount Outstanding of the Mortgage Pandbrieven of all Series then outstanding shall take effect as a Programme Resolution.

## **18. OTHER REGULATIONS**

Subject to the provisions contained in these Meeting Rules and with the consent of the Issuer, the Mortgage Pandbrieven Holders' Representative may determine, in its sole discretion, further regulations regarding the holding of Meetings of Mortgage Pandbrieven Holders and attendance and voting as the Mortgage Pandbrieven Holders' Representative may determine in its sole discretion.



## SECTION 12 - FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Tranche of Mortgage Pandbrieven issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but provides directions for completing the Final Terms.

Final Terms dated [•]

### **BNP Paribas Fortis SA/NV**

*Issue of [Aggregate Nominal Amount of Tranche] [Title of Mortgage Pandbrieven ]*

Issued under the EUR 10,000,000,000

### **Belgian Residential Mortgage Pandbrieven Programme**

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Mortgage Pandbrieven in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Mortgage Pandbrieven. Accordingly any person making or intending to make an offer in that Relevant Member State of the Mortgage Pandbrieven may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Mortgage Pandbrieven in any other circumstances.

### **Part A - CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended from time to time (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the final terms of the Mortgage Pandbrieven described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Mortgage Pandbrieven is only available on the basis of the combination of this Final Terms and the Base Prospectus. The Base Prospectus [and the Supplement to the Base Prospectus] is available for viewing at the Issuer's website ([www.bnpparibasfortis.com](http://www.bnpparibasfortis.com)) and copies may be attained from BNP Paribas Fortis SA/NV, Montagne du Parc 3, 1000 Brussels, Belgium

*[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [date]]. This document constitutes the final terms of the

Mortgage Pandbrieven described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive) to the extent that such amendments have been implemented in a relevant Member State and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Terms and Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Mortgage Pandbrieven is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [original date] and [current date] [and the supplement to the Base Prospectus dated [date]]. The Base Prospectus [and the Supplement to the Base Prospectus] is available for viewing at the Issuer's website [(www.bnpparibasfortis.com)] and copies may be attained from BNP Paribas Fortis SA/NV, Montagne du Parc 3, 1000 Brussels, Belgium.

*[The following alternative language applies if no prospectus is required in accordance with the Prospectus Directive.]*

The Final Terms do not constitute final terms for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the Prospectus Directive). The Issuer is not offering the Mortgage Pandbrieven in any jurisdiction in circumstances which would require a prospectus pursuant to the Prospectus Directive. Nor is any person authorised to make such an offer of the Mortgage Pandbrieven on behalf of the Issuer in any jurisdiction. In addition, no application has been made (nor is it proposed that any application will be made) for listing the Mortgage Pandbrieven on any stock exchange.

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

- |   |   |   |
|---|---|---|
| 1 | Issuer:   | BNP Paribas Fortis SA/NV  |
| 2 | (a) Series Number:  | [•]   |
|   | (b) Tranche Number:   | [•]   |
|   |   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Mortgage Pandbrieven become fungible).</i> |
| 3 | Specified Currency:   | [•]   |
| 4 | Aggregate Nominal Amount of Mortgage Pandbrieven: [admitted to trading] | [•]   |
|   | (a) [Series:  | [•]]  |

- (b) [Tranche: [•]]
- 5 Issue Price: [•]% of the Aggregate Nominal Amount  
[plus accrued interest from *[insert date]*  
(*in the case of fungible issues only, if applicable*)]
- 6 Specified Denomination: [•]
- 7 (a) Issue Date: [•]
- (b) Interest Commencement Date: [•]
- 8 (a) Maturity Date: [*Fixed rate - specify date/Floating Rate - Interest Payment Date falling in or nearest to the relevant month and year*]
- (i) Business Day Convention for Maturity Date: [Following Business Day Convention/ Not Applicable]
- (ii) Additional Business Centre(s): [•] (*please specify other financial centres required for the Business Day definition*)
- (b) Extended Maturity Date: [Not Applicable][*Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year, in each case falling one year after the Maturity Date]*]
- (i) Business Day Convention for Maturity Date: [Following Business Day Convention Not Applicable]
- (ii) Additional Business Centre(s): [•] (*please specify other financial centres required for the Business Day definition*)
- 9 Interest Basis:
- (a) Period to (but excluding) Maturity Date: [[•]% Fixed Rate]  
[Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
- (b) Period from Maturity Date to (but excluding) Extended Maturity Date: [[•]% Fixed Rate]  
[Floating Rate]  
[Zero Coupon]  
(further particulars specified below)

- 10 Redemption/Payment Basis: [Redemption at par]/[Specify others]
- 11 Change of Interest Basis: [Applicable. The Interest Basis changes from fixed to floating from and including [•]]/Not Applicable]
- 12 (a) Status of the Mortgage Pandbrieven: *Belgische pandbrieven/ lettres de gage belges*
- (b) Date [Board (or similar)] approval for issuance of Mortgage Pandbrieven obtained:] [•]  
*(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Mortgage Pandbrieven)*
- 13 Method of Distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- 14 Fixed Rate Mortgage Pandbrieven Provisions: [Applicable/Not Applicable][to and including [•]]
- (a) To Maturity Date: [Applicable/Not Applicable]
- (b) From Maturity Date to Extended Maturity Date: [Applicable/Not Applicable]  
*(If (a) and (b) are not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (c) Rate[(s)] of Interest:
- (i) To Maturity Date: [•]% per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [•]% per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (d) Interest Period End Date(s):
- (i) To Maturity Date: [•] in each year, starting on [•], up to and including the [•]
- (ii) From Maturity Date to Extended Maturity Date: [•] [[month] [and [•] [month]] in each year] / [in each month] from and including [•] up to and including the

Extended Maturity Date, or the Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full, whichever occurs earlier [ subject in each case to adjustment in accordance with the specified Business Day Convention]/[not subject to any adjustment]

*(NB: This will need to be amended in the case of long or short coupons)*

- (e) Business Day Convention for Interest Period End Dates:
- (i) To Maturity Date: [Following Business Day Convention/Not Applicable]
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [Following Business Day Convention /Not Applicable]
- (f) Interest Payment Date(s):
- (i) To Maturity Date: [[•] in each year up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
  - (ii) From Maturity Date to Extended Maturity Date: [•] [[*month*] [and [•] [month]] in each year] / [in each month] from and including [•] up to and including the Extended Maturity Date, or the Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full, whichever occurs earlier [ subject in each case to adjustment in accordance with the specified Business Day Convention]/[not subject to any adjustment]
- (g) Fixed Coupon Amount[(s)]:
- (i) To Maturity Date: [•] per [100,000] of Principal Amount Outstanding
  - (ii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [•] per [100,000] of Principal Amount Outstanding
- (h) Broken Amount(s):
- (i) To Maturity Date: [•] per Calculation Amount payable on the Interest Payment Date falling [in/on]

- [•]
- (iii) From Maturity Date up to Extended Maturity Date: [Not Applicable] [•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]
- (i) Business Day Convention for Interest Payment Dates:
- (i) To Maturity Date: [Following Business Day Convention/Not Applicable]
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [Following Business Day Convention Not Applicable]
- (j) Additional Business Centre(s):
- (i) To Maturity Date: [•] (*please specify other financial centres required for the Business Day definition*)
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [•] (*please specify other financial centres required for the Business Day definition*)
- (k) Day Count Fraction:
- (i) To Maturity Date: (*Specify one of the options listed below*)
- [Actual/Actual (ICMA)]
- [[Actual/Actual] or [Actual/Actual] (ISDA)]
- Actual/365 (Fixed)
- Actual/360
- [30/360] or [360/360] or [Bond Basis]
- [[30E/360] or [Eurobond Basis]]
- [30E/360] (ISDA)
- 1/1
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] (*Specify one of the options listed below*)
- [Actual/Actual (ICMA)]
- [[Actual/Actual] or [Actual/Actual]]

(ISDA)]

Actual/365 (Fixed)

Actual/360

[30/360] or [360/360] or [Bond Basis]

[[30E/360] or [Eurobond Basis]]

[30E/360] (ISDA)

1/1

(see Condition [•] for alternatives)

(l) Determination Date:

(i) To Maturity Date: [•] in each year

(ii) From Maturity Date to Extended Maturity Date: [•] [[*month*] [and [•] [month]] in each year] / [in each month] from and including [•] up to and including the Extended Maturity Date, or the Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full, whichever occurs earlier [ subject in each case to adjustment in accordance with the specified Business Day Convention]/[not subject to any adjustment]

*[Insert regular Interest Period End Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*

*(This will need to be amended in the case of regular Interest Period End Dates which are not of equal durations)*

*(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*

(m) Other terms relating to the method of calculating interest for Fixed Rate Mortgage Pandbrieven:

[•]

15 Floating Rate Mortgage Pandbrieven Provisions:

[Applicable/Not Applicable] [from and including [•]]

- (a) To Maturity Date: [Applicable/Not Applicable]
- (b) From Maturity Date to Extended Maturity Date: [Applicable/Not Applicable]
- (If (a) and (b) are not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (c) Interest Period End Dates:
- (i) To Maturity Date: [●] in each year, starting on [●], up to and including the [●]
- (ii) From Maturity Date to Extended Maturity Date: [[●] in each [month/year] from and including [●] up to and including the Extended Maturity Date, or the Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full, whichever occurs earlier [ subject in each case to adjustment in accordance with the specified Business Day Convention]]/[not subject to any adjustment] (NB: This will need to be amended in the case of long or short coupons)
- (d) Business Day Convention for Interest Period End Dates:
- (i) To Maturity Date: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Not Applicable]
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Not Applicable]
- (e) Interest Payment Dates:
- (i) To Maturity Date: [[●] in each year, starting on [●], up to and including the Maturity Date] [Interest Payment Dates will correspond to Interest Period End Dates]
- (ii) From Maturity Date to Extended Maturity Date: [[●] in each [month/year] from and including [●] up to and including the Extended Maturity Date, or the Interest Payment Date on which the Mortgage Pandbrieven are redeemed in full,



whichever occurs earlier [ subject in each case to adjustment in accordance with the specified Business Day Convention]]/[not subject to any adjustment]

- (f) Business Day Convention for Interest Payment Dates:
- (i) To Maturity Date: [Floating Rate ConventionNot Applicable]
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [Floating Rate ConventionNot Applicable]
- (g) Additional Business Centre(s):
- (i) To Maturity Date: [●] (*please specify other financial centres required for the Business Day definition*)
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [●] (*please specify other financial centres required for the Business Day definition*)
- (h) Manner in which the Rate(s) of Interest is/are to be determined:
- (i) To Maturity Date: [Screen Rate Determination / ISDA Determination]
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [Screen Rate Determination / ISDA Determination]
- (i) Party responsible for calculating the Rate of Interest and Interest Amount:
- (i) To Maturity Date: (*Give name and address*)
  - (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] (*Give name and address*)
- (j) Screen Rate Determination: [Applicable/Not Applicable]
- (i) To Maturity Date:

Reference Rate: [•]/[Specify Others]

*(Insert Euribor)*

Interest Determination Date(s): [•] *[the second day on which the TARGET2 System is open prior to the start of each Interest Period]*

Relevant Screen Page: [•]

*(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

Relevant Time: [•]

Relevant Financial Centre: [•]

(ii) From Maturity Date to Extended Maturity Date: [Not Applicable]

Reference Rate: [•]/[Specify others]

*(Insert relevant Euribor)*

Interest Determination Date(s): [•] *(the second day on which the TARGET2 System is open prior to the start of each Interest Period)*

*N.B. Specify the Interest Determination Date(s) up to and including the Extended Maturity Date, if applicable*

Relevant Screen Page: [•]

*(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

(k) ISDA Determination:

(i) To Maturity Date: [•]

Floating Rate Option: [•]

Designated Maturity: [•]

Reset Date: [•]

- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- (l) Margin(s):
- (i) To Maturity Date: [+/-][•]% per annum
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [+/-][•]% per annum
- (m) Minimum Rate of Interest:
- (i) To Maturity Date: [Not Applicable] [•]% per annum
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [•]% per annum
- (n) Maximum Rate of Interest:
- (i) To Maturity Date: [Not Applicable] [•]% per annum
- (ii) From Maturity Date to Extended Maturity Date: [Not Applicable] [•]% per annum
- (With respect to any Interest Period, insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*
- (o) Day Count Fraction:
- (i) To Maturity Date: *(Specify one of the options listed below)*
- [[Actual/ Actual] or [Actual/Actual] (ISDA)
- Actual/365 (Fixed)
- Actual/360
- [30/360] or [360/360] or [Bond Basis]
- [30E/360] or [Eurobond Basis]

		30E/360 (ISDA)
		1/1
	(ii) From Maturity Date to Extended Maturity Date:	[Not Applicable] ( <i>Specify one of the options listed below</i> )
		[[Actual/ Actual] or [Actual/Actual] (ISDA)
		Actual/365 (Fixed)
		Actual/360
		[30/360] or [360/360] or [Bond Basis]
		[30E/360] or [Eurobond Basis]
		30E/360 (ISDA)
		1/1
		( <i>See Condition [●] for alternatives</i> )
16	Zero Coupon Mortgage Pandbrieven Provisions:	[Applicable/Not Applicable][up to and including the Maturity Date]
		( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
	(a) Accrual Yield:	[●]% per annum
	(b) Reference Price:	[●]
	(c) Business Day Convention:	[Floating Rate Convention[ <i>specify other</i> ]]
	(d) Additional Business Centre(s):	[●] ( <i>please specify other financial centres required for the Business Day definition</i> )
	(e) Day Count Fraction in relation to Early Redemption Amounts and late payments:	Conditions [●] and [●] apply/ <i>specify other</i>

**PROVISIONS RELATING TO REDEMPTION OF THE MORTGAGE PANDBRIEVEN**

17	Final Redemption Amount of each Covered Bond:	Principal Amount Outstanding/ <i>specify other</i> /[●] per Calculation Amount
----	---	--

- 18 Early Redemption Amount:
- 19 Early Redemption Amount(s) per 100,000 of Principal Amount Outstanding payable on redemption for taxation reasons, illegality or on event of default or other early redemption: [[•]/Condition [•] applies]
- 20 Notice Period: [•]

#### **GENERAL PROVISIONS APPLICABLE TO THE MORTGAGE PANDBRIEVEN**

- 21 Form of Mortgage Pandbrieven: [Dematerialised Mortgage Pandbrieven / Registered Mortgage Pandbrieven ]
- 22 Additional Business Centre(s) or other special provisions relating to [Interest Payment Days]: [Not Applicable/give details]. Covered Bond that this item relates to the date and place of payment, and not interest period end dates, to which items [15 (j)relate]
- 23 Redenomination, renominalisation and reconventioning provisions: [Redenomination [not] applicable]  
*(If redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms)*
- 24 [Consolidation provisions:] [Not Applicable/The provisions [in Condition [•] ([•])] apply]
- 25 Other final terms: [Not Applicable/give details] *(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

#### **DISTRIBUTION**

- 26 (a) If syndicated, names of Dealers: [Not Applicable/give names, addresses and underwriting commitments]
- (b) Date of Subscription Agreement: [•]
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name and address]
- 27 If non-syndicated, name of relevant Dealer: [Not Applicable/give name and address]
- 28 U.S. Selling Restrictions: [The C Rules are applicable / The C

Rules are not applicable]

29 Additional selling restrictions: [Not Applicable/give details]

## **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for the issue [and admission to trading on [the regulated market of Euronext Brussels][specify relevant regulated market] of the Mortgage Pandbrieven described herein pursuant to the EUR 10,000,000,000 Residential Mortgage Pandbrieven Programme of BNP Paribas Fortis SA/NV.

## **STABILISATION**

In connection with this issue, [insert name of Stabilising Manager(s)] (the Stabilising Manager(s)) (or any person acting for the Stabilising Manager(s)) may over-allot or effect transactions with a view to supporting the market price of the Mortgage Pandbrieven at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager(s) (or any agent of the Stabilising Manager(s)) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [(Relevant third party information) has been extracted from [(specify source)]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:

*Duly authorised*

## **Part B – OTHER INFORMATION**

### **1. LISTING AND ADMISSION TO TRADING**

- (a) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Mortgage Pandbrieven to be admitted to trading on the regulated market of the [specify relevant regulated market (for example Euronext Brussels, the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange) and if relevant, admission to an official list (for example, the Official List of the U.K. Listing Authority)] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Mortgage Pandbrieven to be admitted to trading on the [specify relevant regulated market (for example Euronext Brussels, the Bourse de Luxembourg, the London Stock Exchange's

*Regulated Market or the Regulated Market of the Irish Stock Exchange) and if relevant, admission to an official list (for example, the Official List of the U.K. Listing Authority)] with effect from [●.] [Not Applicable.]*

- (b) Listing: *(Where documenting a fungible issue need to indicate that original Mortgage Pandbrieven are already admitted to trading.)*
- (c) Estimate of total expenses related to admission to trading: [●]

## 2. RATINGS

Ratings: The Mortgage Pandbrieven to be issued have been rated:

[S&P]

[Moody's]

[[Other]: [●]]

*(The above disclosure should reflect the rating allocated to Mortgage Pandbrieven of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*[●/●] [is/are] established in the European Union and [is/are] registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC)No.106012009), as amended. As such [●/●] [is/are] included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.*

*[Other] is established in the European Union and [has made an application to be (but as at the date hereof is not)]/[is] registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC)No.106012009), as amended*

## 3. [HEDGING AGREEMENT

Hedging Agreement Provider: [●]

Nature of Hedging Agreement: [●]

## 4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

[Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by

the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Mortgage Pandbrieven has an interest material to the offer."  
*Amend as appropriate if there are other interests*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

## 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

Reasons for the offer: [•]

Estimated net proceeds: [•]

Estimated total expenses: [•]

## 6. YIELD (Fixed Rate Mortgage Pandbrieven Only)

Indication of yield: [•]

*[The yield is calculated on the basis of the Issue Price, the Rate of Interest applicable from and including the Interest Commencement Date until and excluding the Maturity Date, and the Final Redemption Amount. It is not an indication of future yield.]*

## 7. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

*(insert here any other relevant codes such as CINS codes):* [•]

Any clearing system(s) other than the Securities Settlement System, Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of Registrar (if different than Issuer): [•]

Names and addresses of initial [•]



Paying Agent(s):

Names and addresses of additional Paying Agent(s) (if other than the Issuer): /Not Applicable

Name and address of the Calculation Agent (if any):

Names and addresses of the Domiciliary Agent (if any):

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No] [Note that the designation "yes" simply means that the Mortgage Pandbrieven to be held in a manner which would allow Eurosystem eligibility and does not necessarily mean that the Mortgage Pandbrieven will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

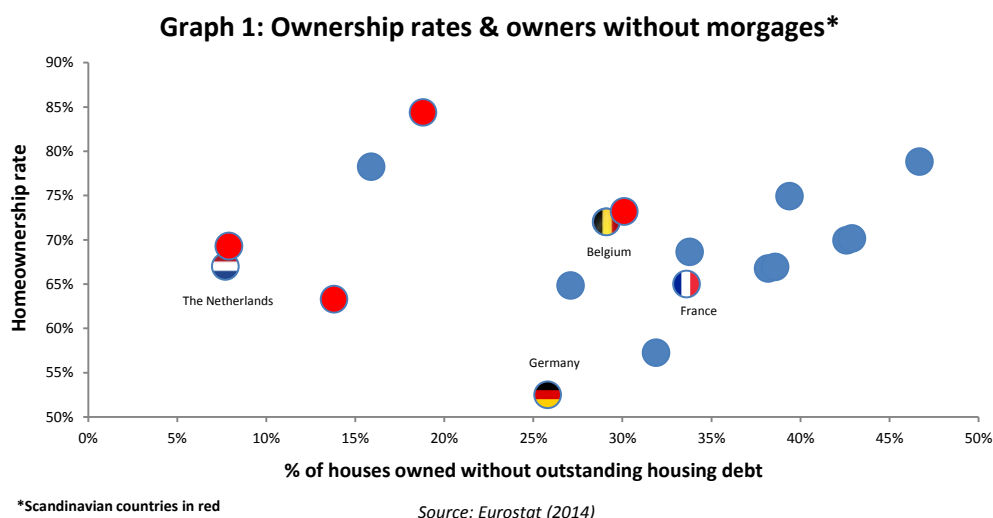
### **SECTION 13 - USE OF PROCEEDS**

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

## SECTION 14 - OVERVIEW OF BELGIAN HOUSING AND MORTGAGE MARKET

### 1. SOUND FUNDAMENTALS

Home-ownership in Belgium is stable at 70%, with the majority of the owners carrying at least some outstanding mortgage debt (Graph 1). As such Belgium compares favourably to most neighbouring countries. Its homeownership rate is higher than that of France, Germany and the Netherlands. Belgium has a higher share of houses owned without outstanding housing debt than most of its neighbours and the Scandinavian countries.



This following report provides a detailed overview of the Belgian housing market. First, the general macroeconomic situation in the country is discussed, highlighting GDP growth and consumer sentiment. A second part covers the prevailing forces of supply and demand on the housing market. Then follows an overview of the Belgian mortgage market. The last part covers the stability of housing prices in Belgium.

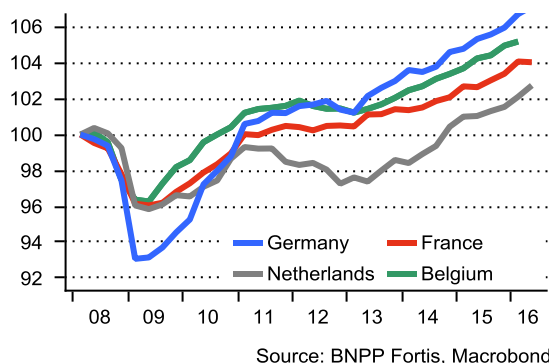
### 2. GENERAL MACRO ECONOMICS

#### 2.1. Stable growth

The Belgian economy has proven mostly resilient after the financial crisis of 2008 and is expected to remain on an upward trajectory for the next couple of years. Taking 2008 Q1 as a point of reference (Graph 2) it is clear that the Belgian growth rebounded, falling in line with

neighbouring Germany. Business confidence is still recovering but well below pre-crisis level.

**Graph 2: GDP Evolution (2008Q1 = 100)**



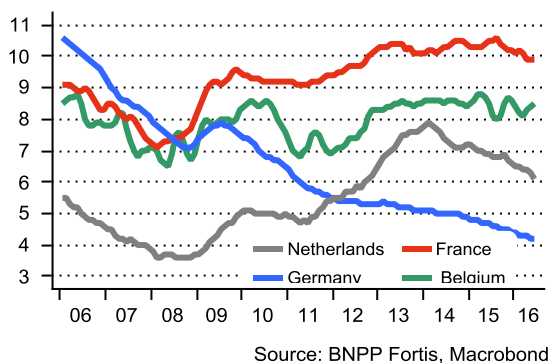
## 2.2. Consistently low unemployment

The unemployment rate, the number of jobseekers as a part of the total active population, is already well below that of the neighbouring countries (Graph 3). Nonetheless, the Belgian government is taking steps to further improve in this area. With participation by elderly (43%) well below EU-average (52%) according to Eurostat data, there is ample scope to do so.

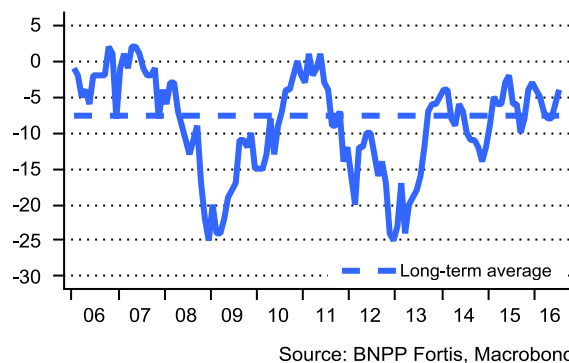
## 2.3. Consumer confidence on the up

Consumer confidence recovered partially after a couple of difficult years during the European debt crisis (Graph 4). Current sentiment improves somewhat because of a perceived lower risk of unemployment over the next 12 months.

**Graph 3: Unemployment rate**



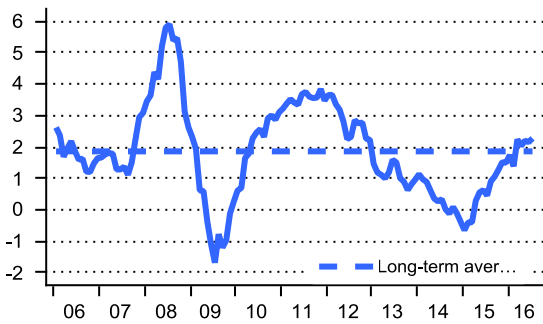
**Graph 4: Consumer Confidence**



## 2.4. Inflation catching up...slowly

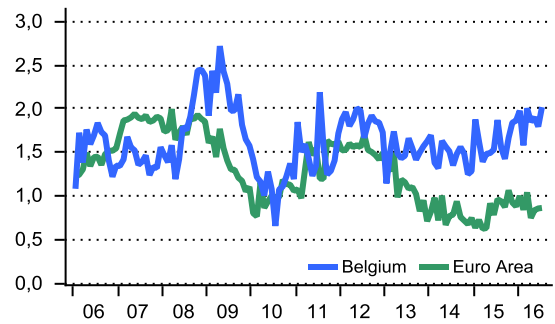
In 2015, headline inflation progressed further towards its long term average (Graph 5), in line with the ECB policy target of “near to but below 2%”. Core inflation (excluding energy and food prices) has proven resilient in Belgium (Graph 6), compared to the Euro Area. This is mainly caused by structurally higher fees in service sectors and price-indexing mechanisms on certain markets.

**Graph 5: Consumer Price Index (%Y/Y)**



Source: BNPP Fortis, Macrobond

**Graph 6: Core Inflation (% Y/Y)**



Source: BNPP Fortis, Macrobond

### 3. OVERVIEW OF THE HOUSING MARKET

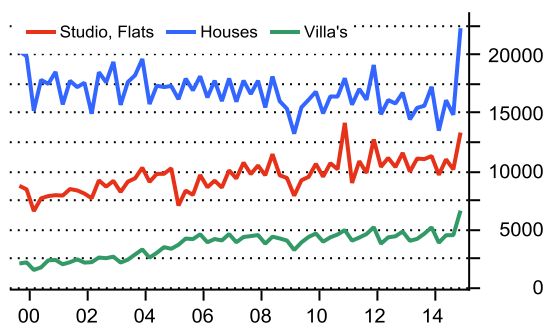
#### 3.1. Number of transactions rising

Activity only declined somewhat after 2008, but the trend quickly recovered, as number of sales transactions show, for all types of homes (Graph 7). The recent months have even seen a sharp upswing in the number of transactions, for all types of residential real estate. For 2015 close to 140.000 transactions were made over the whole year.

#### 3.2. Improved appetite for real estate spending

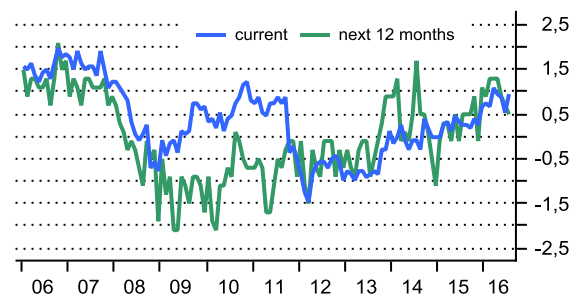
It has been suggested that this trend reflects the growing number of households searching for better investment than the traditional savings account, combined with a more positive outlook (Graph 8). Another driving force is no doubt the trend towards smaller families, skewed somewhat by a large number of single-person households.

**Graph 7: Real estate sales (transactions/q)**



Source: BNPP Fortis, Macrobond

**Graph 8: Momentum for Major Household Purchases (standardized)**



Source: BNPP Fortis, Macrobond

#### 3.3. Construction is big business

The construction sector is a key sector in Belgium, with gross investment rate of households around 10% of GDP last year, or close to €22bn. This metric captures household investment (mostly in dwellings) compared to disposable household income. In this regard the country is similar to Germany, with households in both France and The Netherlands investing a smaller

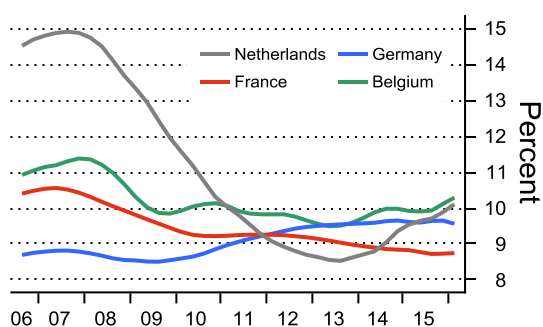
<sup>1</sup> See <http://stat.nbb.be/Index.aspx?QueryId=228> and <https://www.nbb.be/en/statistics/opinion-surveys/methodology>

portion of their disposable incomes (Graph 9). It illustrates why the sector matters so much for the Belgian economy and explains banks' willingness to be an active actor in it.

### 3.4. Stable growth of housing stock

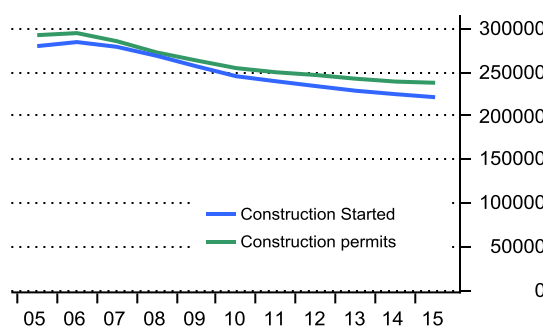
The number of building permits issued each year has suffered in the aftermath of the financial crisis. It's beginning to stabilise now at around 250 000 permits per year. The same trend is found in the number of construction starts (Graph 10).

**Graph 9: Gross Investment Rate of Households**



Source: BNPP Fortis, Macrobond

**Graph 10: Construction by Status**



Source: BNPP Fortis, Macrobond

## 4. OVERVIEW OF THE MORTGAGE MARKET

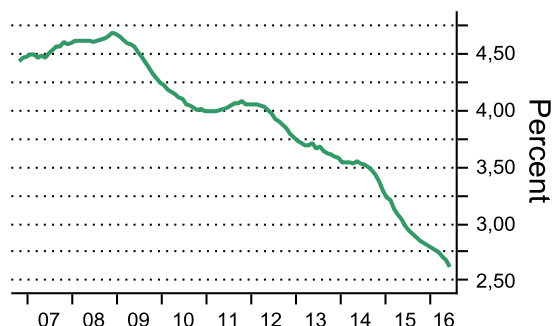
### 4.1. Interest rates still in free-fall

Interest rates have been declining steadily since the start of the financial crisis. They came down almost 2% over the last 8 years and don't seem to have bottomed out just yet (Graph 11) at the end of 2015. The fixed rate for mortgages running 20 years was at 2.52% at the beginning of the year, almost tied with the flexible rate. More than 90% of new mortgage credits were at a fixed rate in 2015

### 4.2. Savings rate down, other assets preferred

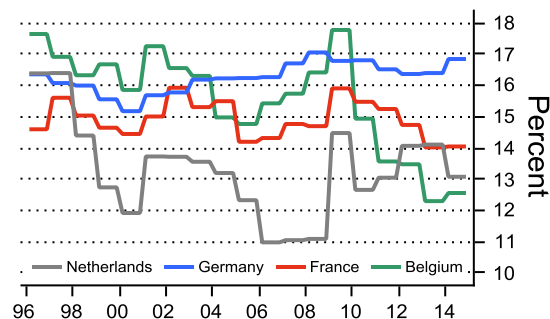
The savings rate is down significantly from its 2010 peak, well below that of neighbouring countries. (Graph 12) There is a clear trend towards other investment opportunities. An example of this is the fact that 10% of all new mortgage loans in 2015 pertained to a second house.

**Graph 11: Interest Rates (Mortgages)**



Source: BNPP Fortis, Macrobond

**Graph 12: Savings rate**



Source: BNPP Fortis, Macrobond

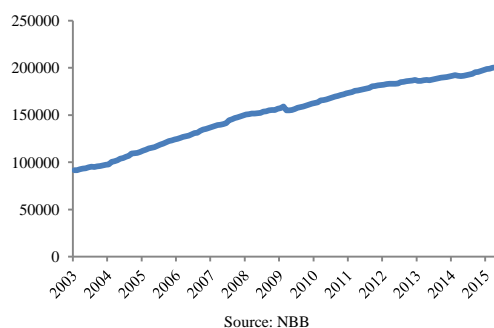
### 4.3. Mortgages growth averages 10% / yr since 2003

Banks have always been willing to lend for real estate purposes in Belgium. The total outstanding amount of mortgages growth stumbled only briefly after the 2008 financial crisis. Since then, amounts have been soaring, with the trend for total loans to households (including a limited amount of consumer credits) depicted below (Graph 13).

The large majority of loans (95%) were given out by banks, with insurance companies and other types of lenders making up the remainder. The average maturity of a Belgian mortgage loan is around 20 years, similar to Germany and France. The typical loan-to-value ratio is around 70%; slightly below the average for both Germany and France, with that of the Netherlands still well above 100% according to the European Mortgage Foundation.

Last year, about 1 in every 4 Belgian mortgages was extended by BNPPF. Non-performing loans as a percentage of total gross loans have been stable since the financial crisis, coming in at around 1%.

Graph 13: Loans to households (M€)



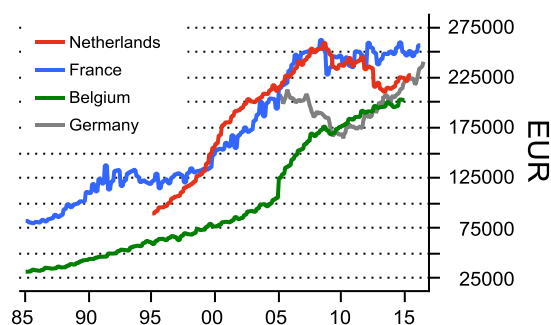
## 5. PRICES

### 5.1. Prices holding up quite well

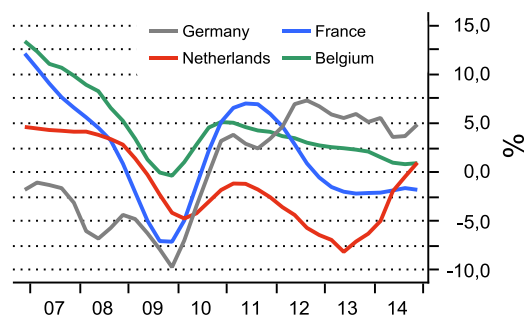
The 2008 financial crisis had a temporary and only mild impact on prices. When compared to the Euro area, it is fair to say that the sector held up quite well. Very recently, prices have been rising slightly (Graph 15). Also the neighbouring countries experienced short periods of very high growth after the 2008 (Graph 16). Both price-to-income and price-to-rent ratio's were stable since 2010, similar to those of France (Graph 17 & 18).

Overall, the continued economic recovery and a slightly increased tendency to invest in real estate should exert upward pressure on the pricelevel for the next couple of years. Further change in regulations at the regional level are expected to provide some counterweight, with several mortgage-tax-relief measures up for reevaluation or already trimmed down. S&P expects housing prices to rise 1% in 2016, a continuation of the moderate growth of the passed couple of years.

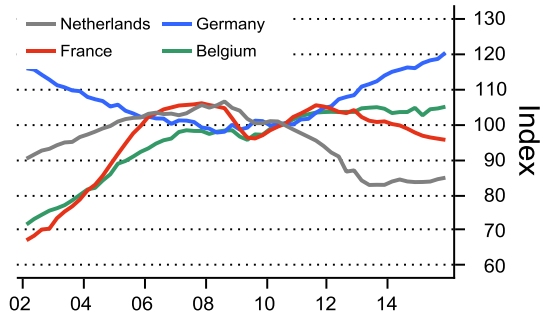
Graph 15: Average house prices



Graph 16: Real estate price (YoY%, 12-mma)

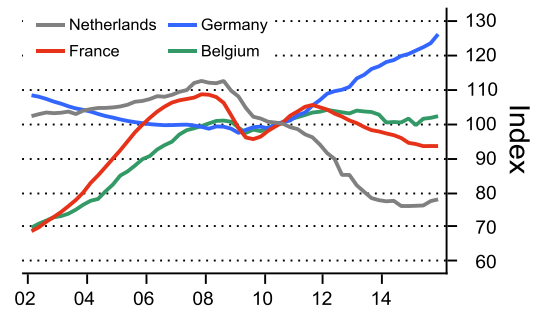


**Graph 17: Price-to-Income (Base: 2010)**



Source: BNPP Fortis, Macrobond

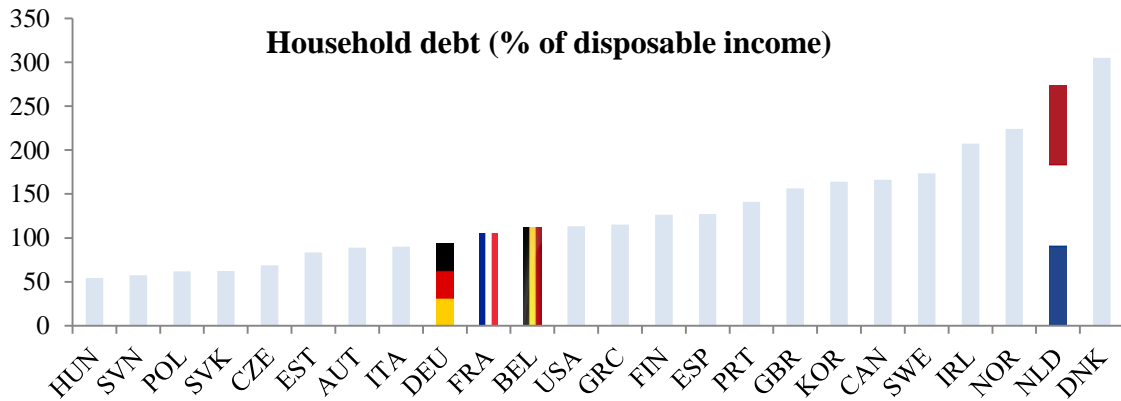
**Graph 18: Price-to-Rent (Base: 2010)**



Source: BNPP Fortis, Macrobond

## 5.2. Level of debt below EU-average

Total residential debt, as a % of disposable household income is below average of the EU27-countries. Amongst OECD-members, the country ranks between France and the United States (Graph below).



Source: OECD 2014



## SECTION 15 – DESCRIPTION OF THE ISSUER

See section “*Documents Incorporated By Reference*” for a list of the documents of and information on the Issuer incorporated by reference. References to certain pages in this section explicitly refer to such documents.

*The following section applies to both Exempt Notes and Non-exempt Notes.*

### 1. GENERAL

BNPPF, incorporated in Belgium on 5 December 1934, is a public company with limited liability (*naamloze vennootschap/société anonyme*) under Belgian law. The registered office of the company is located at Montagne du Parc 3, 1000 Brussels, Belgium where its headquarters are based (telephone number: +322 433 4131 (for French speakers)/+322 433 3134 (for Dutch speakers)). BNPPF has been established for an indefinite period.

As stated in article 3 of its Articles of Association, BNPPF's object is to carry on the business of a credit institution, including brokerage and transactions involving derivatives. It is free to carry out all businesses and operations which are directly or indirectly related to its purpose or which are of a nature that benefit the realisation thereof. BNPPF is free to hold shares and share interests within the limits set by the legal framework for banks.

BNPPF is registered in the Register of Legal Entities of Brussels under the number 0403.199.702.

BNPPF is owned for 99.93 per cent. by BNP Paribas SA and for 0.07 per cent. by minority shareholders.

In Belgium, BNPPF is subject to supervision by the ECB, the prudential authority of the NBB and the market authority of the Belgian FSMA.

### 2. BUSINESS OVERVIEW

BNPPF offers a comprehensive package of financial services through its own channels and via other partners to private, professional and wealthy clients in the Belgian market, as well as in Luxembourg and Turkey. BNPPF also provides corporations and public and financial institutions with customised solutions, for which it can draw on BNP Paribas' know-how and international network. In the insurance sector, BNPPF works closely with the Belgian market leader AG Insurance, in which it owns a 25 per cent. stake. BNPPF employs around 14,500 people (full-time equivalents) in Belgium.

BNPPF has built up a strong presence in the retail and private banking market, operating through a variety of distribution channels. In Belgium the company delivers universal banking and insurance services and solutions to its retail customers. In other countries, the product offer is tailored to specific customer segments. Private Banking offers integrated and international asset and liability management solutions to high net worth individuals in Belgium, their businesses and their advisers.

BNPPF also offers financial services to companies and institutional clients and provides integrated solutions to enterprise and entrepreneur. Corporate and Public Banking Belgium fulfils the financial needs of corporate and midcap enterprises, public entities and local authorities through an integrated international network of business centres.

BNPPF is part of the BNP Paribas group (the **BNP Paribas Group**) (of which BNP Paribas is the parent company), a leading bank in Europe with an international reach. It has a presence in 75

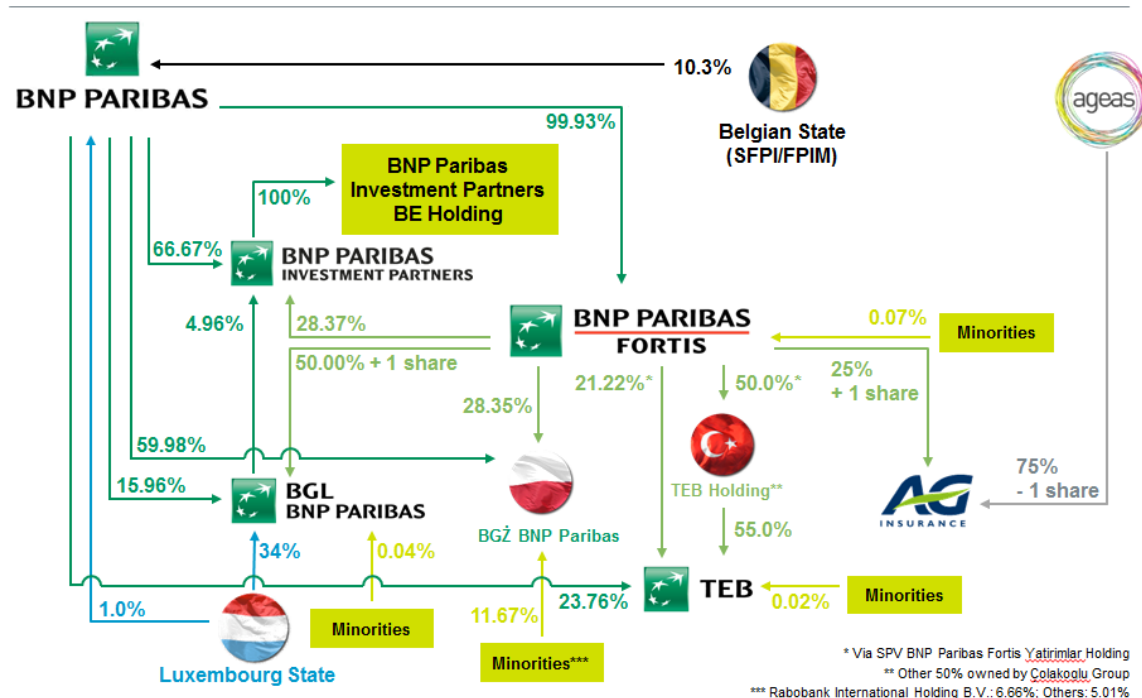
countries, with more than 189,000 employees, including close to 147,000 in Europe. The Group has key positions in its three main activities: Domestic Markets and International Financial Services (whose retail-banking networks and financial services are covered by Retail Banking & Services) and Corporate & Institutional Banking, which serves two client franchises: corporate clients and institutional investors. The Group helps all its clients (individuals, community associations, entrepreneurs, SMEs, corporates and institutional clients) to realise their projects through solutions spanning financing, investment, savings and protection insurance. In Europe, the Group has four domestic markets (Belgium, France, Italy and Luxembourg) and BNP Paribas Personal Finance is the leader in consumer lending. BNP Paribas is rolling out its integrated retail-banking model in Mediterranean countries, in Turkey, in Eastern Europe and a large network in the western part of the United States. In its Corporate & Institutional Banking and International Financial Services activities, BNP Paribas also enjoys top positions in Europe, a strong presence in the Americas as well as a solid and fast-growing business in Asia-Pacific.

At 31 December 2015, the BNP Paribas Group had consolidated assets of EUR 1,994.2 billion (compared to EUR 2,077.8 billion at 31 December 2014), consolidated loans and receivables due from customers of EUR 682.54 billion (compared to EUR 657.4 billion at 31 December 2014), consolidated items due to customers of EUR 700.3 billion (compared to EUR 641.5 billion at 31 December 2014) and shareholders' equity (BNP Paribas Group share including income for 2015) of EUR 96.3 billion (compared to EUR 89.4 billion at 31 December 2014). Pre-tax net income for the year ended December 31, 2015 was EUR 10.38 billion (compared to EUR 3.15 billion for the year ended 31 December 2014). Net income, attributable to equity holders, for the year ended 31 December 2015 was EUR 6.69 billion (compared to EUR 0.157 billion for the year ended 31 December 2014).

### 3. ORGANISATIONAL STRUCTURE

Simplified legal structure chart valid as at 1 March 2016:

## BNP Paribas Fortis: Simplified legal structure



BNP Paribas SA has a stake of 99.93% in BNPPF. The remaining shares (0.07%) are held by the public. The SFPI/FPIM has a stake of 10.3% in BNP Paribas SA's capital, subsequent to its 2009 transfer of a 74.93% stake in BNPPF in return for BNP Paribas SA shares. BNPPF holds stakes in a range of subsidiaries (subsidiaries are those companies whose financial and operating policies BNPPF, directly or indirectly, has the power to govern so as to obtain benefits from its activities), the most important of which are:

- 50% + 1 share stake in BGL BNP Paribas SA
- Direct 21.23% stake in Turk Ekonomi Bankası A.S. (**TEB**) and a 50% share of TEB Mali Yatirimlar A.S., a joint venture with the Colacoglu Group, which holds 55% of TEB's share capital.

BNPPF holds minority interest in, among others, AG Insurance (25% + 1 share), Bank BGŻ (28.35%) and BNP Paribas Investment Partners (28.37%).

#### **4. THE BUSINESSES OF BNPPF**

The major changes in the consolidation scope of BNPPF during 2015 were related to the finalisation of the legal merger between BNP Paribas Bank Polska and Bank BGŻ.

On 30 April 2015 the legal merger of BNP Paribas Bank Polska (in which BNP Paribas Fortis held 85% interest) with Bank BGŻ (held by BNP Paribas by 88.98%) was finalised. After the merger, BNP Paribas Fortis holds 28.35% in the merged bank operating under the name Bank BGŻ BNP Paribas S.A. As a result of the merger, Bank BGŻ BNP Paribas S.A. is consolidated by equity method by BNP Paribas Fortis. On 20 January 2015, Cronos Holding Company Limited, previously consolidated by equity method, has been disposed of by TCG Funds I L.P. to an external party. The consideration amounted to EUR 165 million (or USD 199 million), and the capital gains amounted to EUR 68.9 million (or USD 77.5 million). Cronos Holding company Ltd was specialised in the activities of container leasing. TCG Fund I L.P, the parent company of Cronos Holding Company Ltd, has been liquidated in September 2015. The result of its liquidation as at 31 December 2015 amounted to EUR 25.6 million (or USD 28.1 million).

#### **(I) Retail & Private Banking**

Retail Banking offers financial services to individuals, the self-employed, members of independent professions and small businesses. Over 3.5 million customers currently use BNPPF's integrated banking and insurance services, through proprietary and third-party networks, all embedded in a multi-channel environment. Operating through a variety of distribution channels, BNPPF provides services and advice on every aspect of daily banking, saving, investment, credit and insurance to a clearly segmented customer base.

##### **Retail & Private Banking Belgium**

###### *Market position*

Market leadership in Belgium:<sup>2</sup>

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<sup>2</sup> Source: 2015 annual report of BNPPF

- 789 branches operating under the BNPPF brand are complemented by 298 franchises under the Fintro brand and 664 points of sale of the 50/50 joint venture with bpost bank. Other channels include a fleet of 3,819 ATMs, banking services via internet, Easy banking and Mobile banking (1.25 million active users) and Hello bank!.
- With 34 Private Banking centres and one Private Banking Centre by James (Private Banking Centre with remote services through digital channels), BNPPF is an important player in the Belgian private banking market. Individuals with assets of more than EUR 250,000 are eligible for private banking services. Wealth Management caters to clients with potential assets of more than EUR 4 million. They benefit from a dedicated service model and are primarily served via two Wealth Management centres in Antwerp and Brussels.

### *Key developments in 2015*

In 2015 Retail & Private Banking speeded up the implementation of its omni-channel strategy and made adjustments to customer service arrangements in order to respond to the rapid technological changes taking place in society.

The Easy banking app was enhanced with the addition of new Savings & Investment functionality which provides a clearer picture of a customer's assets. In mid-December 2015 Easy banking passed the milestone of 1.5 million downloads.

In January 2015, the Bank launched two new Daily Banking packages for iBank customers: Comfort Pack and Premium Pack. This range of packages is designed to better meet customer needs and can moreover be handled online. A further novelty was the Prepaid Card, a secure means of payment, both online and in-store, in Belgium and abroad.

In order to respond to the rising trend towards tapping new sources of finance, the Bank began to provide support to two crowdfunding platforms – MyMicroInvest and Hello crowd!.

The continuing low interest rates compelled the Bank to reduce the rates on savings accounts still further during 2015. In June 2015 RPB launched a new regulated savings account, the Star Savings Account. At the time of launch (as well as on 31/12/15), the account was offering a base rate of 0.10% and a high fidelity premium of 1.30%. Since then, BNP Paribas Fortis nevertheless had to cut the rates several times due to market rate evolution. It currently yields 0.01+1%.

Another consequence of the low interest rates was a sharp increase in mortgage lending and also in refinancing of existing mortgages. Consumer credit also saw further growth, underpinned by good results in car finance.

The low interest rates also gave rise to considerable customer demand for alternatives to savings accounts. The Flexinvest formula – an automatised programme channelling savings into investments in funds – proved highly popular. The range of investment products was expanded with a new suite of European Strategy Funds and socially responsible investments (SRI) in the form of a World Bank Green Growth Bond issue, plus structured notes linked to Climate Care action.

BNP Paribas Fortis Private Banking further expanded its service range during the year. The FRS (Fund Reporting Service) contract anticipates regulatory changes. A number of sustainable investment products were brought to market, including the new Climate Care suite of products,

the Smart Fund Plan Private, and the launch of an SRI Fund of Funds portfolio in conjunction with the King Baudouin Foundation. This led to an increase in assets under management.

### **BGL BNP Paribas SA**

BGL BNP Paribas Retail and Corporate Banking in Luxembourg provides a broad range of financial products and services to individual, professional and corporate clients through its network of 41 branches and the specialised departments dedicated to serving corporates. The Direct Banking department includes remote banking activities and offers daily banking solutions to resident clients, as well as investment solutions to wealthy international and resident clients.

BGL BNP Paribas is the number 2 bank in Luxembourg for individual customers (16% market share) and the number 1 bank for corporates (29% market share).

In 2015, the BGL BNP Paribas pursued its transformation of the branch network and expansion of its fleet of ATMs. Branch opening hours were also extended to offer clients a local service. BGL BNP Paribas adapted its range of solutions for professional clients by creating eight Professional Business Centres.

Digitisation of the BGL BNP Paribas 's activities continued during the year, with the launch of a Web Banking app for iPhone and simplification of the login procedure. The BGL BNP Paribas also launched the Digicash app and teamed up with Auchan Luxembourg and Digicash Payments to offer a new in-store payment experience. Last but not least, clients now have the possibility of taking out a personal loan online and tracking its progress securely via their Web Banking space.

The Business Banking department has applied the One Bank for Corporates model to the Real Estate Financing department, creating cross-border links with other Group entities in order to better support clients operating in the real-estate sector in Luxembourg. Several cross-selling initiatives have also led to the conclusion of large deals, including the financing by BGL BNP Paribas and BNP Paribas Fortis of a project to redevelop the capital's city centre, and the financing of a significant proportion of the country's wind farms.

Meanwhile the Private Bank in Luxembourg has set up a commercial development unit tasked with winning new clients. In terms of its range of services, the Private Bank in Luxembourg offers a personalised mandated management service (Crystal), plus also a first SRI product - BGL BNP Paribas Autocallable SRI Note 2020 - certified by Forum Ethibel.

The BNP Paribas Wealth Management business in Luxembourg offers bespoke wealth and financial management solutions, plus a range of high-end services aimed at international private banking clients.

The volume of assets under management by Wealth Management increased by 2% during the year, exceeding the target set out in the strategic plan. Lastly, net capital inflows increased across all geographical zones, with a significant contribution from the UHNWI segment (+12%), which represents more than half of all assets under management.

## **TEB**

BNPPF operates in Turkey through TEB, in which it holds a 48.72% stake. TEB ranks 9th in the country's banking sector in terms of market share in loans and deposits, and provides the full range of BNP Paribas Group Retail products and services in Turkey.

In Retail Banking, TEB provides debit and credit cards, mortgage loans, personal loans, plus investment and insurance products, which are distributed through the branch network and via Internet, phone and mobile banking.

Through its commercial and small business banking departments, the Bank offers a full range of banking services to small and medium-sized enterprises and is also recognised as having strong expertise in non-financial services.

Corporate Banking services include international trade finance, asset and cash management, credit services, hedging of currency, interest and commodity risk, plus factoring and leasing.

Throughout 2015, TEB achieved a highly satisfactory performance in both revenue generation and profitability, in spite of the less-than-favourable conditions prevailing in Turkey's banking sector.

Steadily increasing the accessibility of its services, TEB today operates through a total of 532 branches and over 1,600 automated teller machines throughout Turkey. While growing the network, TEB is also working to improve efficiency. During the period from end-2009 to end-2015, the bank achieved significant improvements in most of the efficiency indicators.

## **(II) Corporate & Public Banking Belgium and Corporate & Institutional Banking**

**Corporate & Public Banking Belgium (CPBB)** offers a comprehensive range of local and international financial services to Belgian enterprises, public entities and local authorities. The offering includes domestic banking products, specialist financial skills, and securities, insurance and real estate services. Skills include specialist ones such as trade services, cash management, factoring and leasing, as well as M&A and capital markets.

A central team of corporate bankers, relationship managers and skills officers ensure that BNPPF stays close to the market. This team, combined with the European network of business centres managed within CIB, enables BNPPF to offer unified commercial management to its Belgian clients locally and abroad.

In 2015, CPBB continued its efforts to remain the 'top of mind' provider of financial services to its clients, building further on its long-term relationships and striving to obtain a better grasp of the strategic priorities and long-term objectives of each client. As the financier par excellence of the real economy, CPBB remained well-placed to meet the borrowing needs of these clients in a fully risk-aware manner. In addition to the traditional lending approach, CPBB relationship managers are also able to provide alternative financing solutions, from bond issuance to private placements of debt paper, thanks to the CPBB's profound knowhow in this field.

Moreover CPBB was able to draw throughout the year on the strength of the BNP Paribas Group's international network. The close links between Corporate & Public Bank Belgium and the 75-plus countries in the network enabled CPBB to bring a number of new clients within the fold.

As corporate customers now have greater expectations for a digital, almost paperless, interaction with their financial service providers, CPBB has accelerated its programme to provide enhanced offerings of digital services. In 2015 CPBB delivered additional, mainly operational, functionalities, inter alia in the fields of e-contracting and lending. In order to ensure an enhanced user experience and raise overall satisfaction, CPBB cross-checked development at an early stage with clients, using clickable prototypes and conducting interviews. Moreover, CPBB continued during the year to segment the client base more carefully in order to optimise the relationship banking model and CPBB will continue to approach each client segment through an appropriate mix of multiple channels.

**BNP Paribas Fortis Corporate & Institutional Banking (CIB)** provides its clients in Belgium and across Europe with full access to the BNP Paribas CIB product portfolio.

In 2015, CIB was reorganised Group-wide in order to better meet the needs of its Corporate and Institutional clients. In this new context, BNP Paribas Fortis CIB, which is part of CIB EMEA (Europe Middle East and Africa), currently consists of five Business Lines, plus IT and Operational support and a Competence Centre. The five Business Lines are:

- **Global Markets:** The Brussels-based platform focuses on client-driven activities, offering a global product range through access to BNP Paribas Group platforms. Global Markets serves mainly Belgian clients, plus also European Corporates through the Corporate Coverage network, providing flow and ‘plain vanilla’ products – for which close proximity to the client and rapid response are absolutely essential, enabling us to quote locally for most of the clients’ foreign exchange and interest rate hedging needs.
- Global Markets is also able to leverage strong digital capabilities, based on robust, efficient IT platforms, in order to provide our clients with the highest service quality.
- **Financing Solutions:** As from 2013, Brussels has played host to the BNP Paribas Group Competence Centre for structured finance activities in the EMEA region, with the support of three other main originating platforms based in Frankfurt, London and Madrid. As a result of the overall CIB reorganisation, the Financing Solutions Brussels platform offers clients expertise in five main areas: Asset and Export Finance; Energy and Infrastructure Finance; Leveraged Finance; Corporate Debt; and Media-Telecom Finance.
- **Transaction Banking EMEA** offers clients an integrated suite of flow products to manage their treasury in Europe, including cash management (domestic and international payments), import-export Trade Financing and Corporate Deposit management.
- **Corporate Finance** is active in Mergers & Acquisitions Advisory and in Equity Capital Markets, focusing on clients in Belgium and Luxembourg.
- **Private Equity** plays a direct role in supporting the development and growth of companies, and offers solutions for shareholder transition by investing in both equity and mezzanine finance instruments in the home market. The internationally-oriented fund-of-funds portfolio is currently being run down.

In addition to the Business Lines, BNP Paribas Fortis CIB ITO supports CIB business through its dedicated IT and Operations teams. CIB ITO provides operational support and systems maintenance and development for BNP Paribas Fortis as well as some other BNP Paribas Group CIB businesses.

Lastly, the Trade Solutions Competence Centre offers technical and commercial support to all teams managing and developing Trade Solutions business worldwide (CIB, International Financial Services and Domestic Markets). This support takes the form of training, technical advice and assistance with product development.

#### *Market positions*

- Strong leadership position in Belgium with more than 600 corporate clients and 7,000 midcaps, and a challenger in public banking (570 clients).
- High penetration rate among selected European customers (e.g. internationally active SMEs).

## **5. BNPPF 2015 FINANCIAL RESULTS**

The below analysis focuses on underlying business performance and excludes the following non-recurrent items: impacts of scope changes, evolution of foreign exchange rates and credit spreads, and other non-operating items (mainly composed of one-off results).

**Revenues** totalled EUR 7,235 million, up by 5.2%\* compared to 2014. The underlying increase was mainly supported by a strong operating performance in Belgium, a continuing growth in Turkey and also by good results in Leasing and Personal Finance.

In Belgian Retail Banking, revenues grew by 4.8%\* mainly driven by higher interest income on loans (mainly on mortgage loans thanks to volume effects) and lower interest costs on issued debt and deposits, including savings accounts, triggered by the persistently low interest rates in 2015. The good performance on financial and credit fees also contributed to increase the revenues.

In Turkey, revenues rose by 12.4%\* driven by strong volume growth in both loans and deposits (respectively +15.7%\* and +13.4%\* compared to 2014) in line with our ambition.

**Operating expenses and depreciations** amounted to EUR 4,427 million, up by 1.9%\* compared to 2014.

In Belgium, costs slightly decreased by 0.7%\* thanks to the effect of operating efficiency measures. Costs included Belgian banking taxes and levies, which, for the year 2015, amounted to a total amount of EUR 282 million, representing an increase of EUR 54 million compared to previous year. This included the Bank's national contributions for the Deposit Guarantee Scheme (DGS), the Financial Stability Contribution (FSC), a regular and an additional tax on saving deposits and, at European level, for the first time, contribution to the Single Resolution Fund (SRF).

In Turkey, costs increased by 8.8%\* due to continuing business expansion.

As a result, **gross operating income** rose by 11.1%\* to EUR 2,808 million. The consolidated cost/income ratio stood at 61.2%.

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\* Excluding non-recurrent items



**Cost of risk** stood at EUR 431 million, corresponding to 30 basis points of outstanding customer loans compared to 21 basis points in 2014. In Belgian Retail Banking, cost of risk remained very low, at 9 basis points of outstanding customer loans.

**Share of earnings of equity-method entities** was up 36.4%\*, at EUR 206 million, mainly supported by better results in Leasing associates.

BNP Paribas Fortis generated EUR 1,575 million in **net income attributable to equity holders**, up by 7.4%\* compared to last year, reflecting the good overall performance delivered in 2015.

The BNP Paribas Fortis **balance sheet total** amounted to EUR 274 billion at 31 December 2015, down by 1% compared to the end of 2014. The slight decrease mainly resulted from the completion of the merger between BNP Paribas Bank Polska and Bank BGŻ on 30 April 2015 and the related change in consolidation method.

From a geographical point of view – based on the location of the BNP Paribas Fortis companies – 67% of the assets are located in Belgium, 9% in Turkey, 8% in Luxembourg and 16% in other countries.

The Bank's **solvency** remained well above minimum regulatory requirements. At 31 December 2015, BNP Paribas Fortis' fully loaded Basel 3 Common Equity Tier 1 ratio<sup>3</sup> stood at 12.5% and the phased-in Basel 3 Common Equity Tier 1 ratio, at 14.2%.

**Liquidity** remained healthy, with a Liquidity Coverage Ratio (LCR) of 130%<sup>4</sup>, customer deposits<sup>5</sup> standing at EUR 173 billion and customer loans at EUR 170 billion at 31 December 2015.

The BNP Paribas Fortis Board of Directors proposed at the Annual General Meeting of shareholders on 21 April 2016 not to distribute any dividend.

There are no recent events particular to BNP Paribas Fortis which are, to a material extent, relevant to the evaluation of its solvency.

For (unaudited) financial information with respect to the 2016 first half year results, see the 2016 half yearly report of the Issuer and the press release of the Issuer dated 29 August 2016 available on [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com), which are both incorporated by reference in this Base Prospectus.

## 6. GOVERNANCE

### Board of Directors

In general, the Board of Directors (*Raad van Bestuur/Conseil d'Administration*) is responsible for BNPPF in accordance with applicable law. Furthermore, the Board of Directors: (i) approves, assesses and monitors the strategy and goals of BNPPF, (ii) determines and monitors the risk

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\* Excluding non-recurrent items

<sup>3</sup> Ratio taking into account all the CRD4 rules with no transitory provisions

<sup>4</sup> The LCR is computed on a consolidated basis

<sup>5</sup> Customer deposits consist of amounts due to customers excluding repurchase agreements ('repos'). Customer loans are loans and receivables due from customers, excluding securities and reverse repos

policy (including the risk tolerance) of BNPPF, and (iii) approves BNPPF's governance memorandum.

The Board of Directors has transferred all of its management authority (*bestuursbevoegdheid/pouvoirs de gestion*) to an executive body, i.e. the Executive Board (*directiecomité/comité de direction*), with the exception of everything which, by virtue of the Belgian Companies Code or the Belgian Banking Law, remains with the Board of Directors. The members of the Executive Board are also referred to as 'Executive Directors'.

On 3 March 2016 the Board of Directors had 14 members, of which 9 members are non-executive and 5 members are executive. For the purpose of this Base Prospectus, the business address for each of the members of the Board of Directors is Rue Royale 20, B-1000 Brussels, Belgium.

On 3 June 2016, the composition of the Board of Directors was as follows:

Nine Non-Executive members:

- Herman Daems, Chairman
- Thierry Laborde
- Dirk Boogmans
- Antoinette d'Aspremont Lynden
- Sophie Dutordoir
- Thierry Varène
- Stefaan Decraene
- Sofia Merlo
- Dominique Aubernon

Five Executive members, composing also the Executive Board (*Directiecomité/Comité de Direction*):

- Maxime Jadot, Chairman of the Executive Board/Executive Committee and CEO
- Filip Dierckx, Vice-Chairman of the Executive Board/Executive Committee
- Didier Beauvois
- Piet Van Aken
- Peter Vandekerckhove

### **Executive Committee**

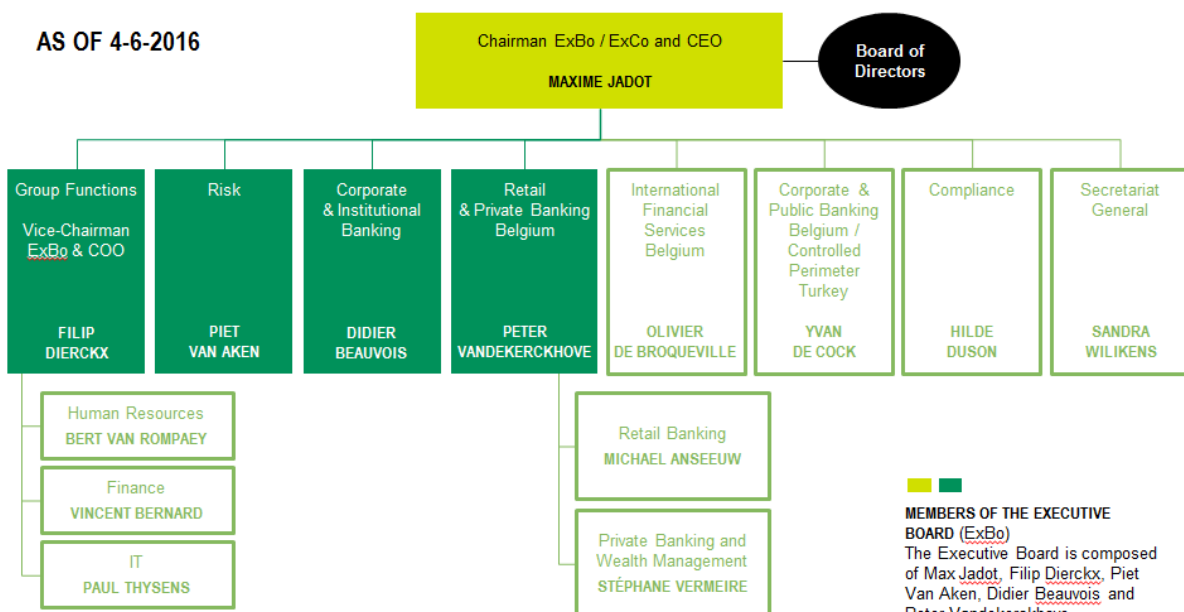
The Executive Committee consists of 14 members, the five members of the Executive Board in their respective responsibilities, together with nine heads of businesses or support services (reporting line between brackets). The Executive Committee (Exco) has been set-up to assist the Executive Board with the fulfilment of its role and responsibilities and to advise the Executive Board if and when needed.

For the purpose of this Base Prospectus, the business address for each of the members of the Executive Committee is Rue Royale 20, B-1000 Brussels, Belgium.

- Maxime Jadot, Chairman of the Executive Board/Executive Committee and CEO (specific responsibilities include global responsibility for all banking activities, in particular, banking activities in Belgium, Compliance, Legal, Branding & Communications, Secretary General, Audit and HR for key resources)

- Filip Dierckx, Vice Chairman of the Executive Board/Executive Committee, Chief Operating Officer (Group functions) (specific responsibilities include Finance, HR, IT & Operations and Tax)
- Didier Beauvois, Head of Corporate & Institutional Banking
- Piet Van Aken, Chief Risk Officer
- Peter Vandekerckhove, Head of Retail & Private Banking Belgium
- Olivier de Broqueville, Head of Investment Solutions
- Bert Van Rompaey, Head of Human Resources
- Yvan De Cock, Head of Corporate & Public Banking Belgium
- Vincent Bernard, Chief Financial Officer
- Hilde Duson, Chief Compliance Officer, who is expected to be replaced by Carine De Nys subject to approval from BNPPF's governing bodies and from the relevant regulators
- Stéphane Vermeire, Chief of Private Banking and Wealth Management
- Michael Anseeuw, Chief Retail Banking
- Paul Thysens, Chief Information Officer<sup>6</sup>
- Sandra Wilikens, Secretary General

## EXECUTIVE BOARD & EXECUTIVE COMMITTEE



<sup>6</sup> Paul Thysens will be replaced by Sonja Noben as from 1 January 2017.

## **Principal activities performed by members of the Board of Directors and the Executive Committee outside BNPPF which are significant with respect to BNPPF**

- Herman Daems: Domo Investment Group NV, Director & Chairman of the Board of Directors (as permanent representative of Crossbow BVBA); Unibreda NV, Director & Chairman of the Board of Directors.
- Dirk Boogmans: Vinçotte International NV, Director & Chairman of the Audit Committee (via DAB Management); GIMV NV, Director & Chairman of the Remuneration Committee; Asap.be NV, Director (via DAB Management).
- Antoinette d'Aspremont Lynden: Groupe Bruxelles Lambert SA, Director.
- Sophie Dutordoir: Bpost NV, Independent Director & Member of the Audit Committee, Member of the Remuneration Committee and member of the special board committee of independent directors; Valeo S.A., Director & Member of the Governance and Remuneration Committee; Poppeia BVBA, Director.
- Sofia Merlo: BNCI Maroc, Director; BNP Paribas REIM, Chairman of the surveillance committee;
- Dominique Aubernon: Euronext NV, Director and member of the Governance and nomination committee;
- Thierry Varène: BNP Paribas UK Holdings Ltd, Director; BNP Paribas S.A., Member of the Executive Committee.
- Stefaan Decraene: Bank of the West, Director; Banc West Corporation, Director; BNP Paribas S.A., Member of the Executive Committee; TEB Holding SA, Board Member; BGZ BNP Paribas S.A. (Pologne), Member of the Supervisory Board.
- Max Jadot: BNP Paribas S.A., Member of the Executive Committee; Bekaert NV, Director; BGL BNP Paribas SA, Board Member; BNP Paribas Foundation, Administrateur du college du Fondateur; BNP Paribas Fortis, Amsterdam Branch, Director.
- Filip Dierckx: I.V.D. NV, Director & Chairman of the Board of Directors; S.D. Work for Society, Chairman; S.D. Diensten, Director & Chairman of the Board of Directors; BNP Paribas Fortis Private Equity Belgium NV, Director; BNP Paribas S.A. Belgian Branch, mandataire délégué; BNP Paribas Fortis Foundation Belgium, Chairman.
- Didier Beauvois: BGL BNP Paribas S.A., Director and member of the Internal Control Committee.
- Thomas Mennicken: BGZ BNP Paribas S.A., Director; BNP Paribas Fortis Private Equity Belgium NV, Director.
- Peter Vandekerckhove: AG Insurance NV, Director; BNP Paribas Fortis Investment Partners Belgium (BNPP IP), Director (Permanent Representative of BNP Paribas Fortis); BNP Paribas Fortis Foundation, Director.

### **Administrative, management, and supervisory bodies conflicts of interests**

Aside from the matter mentioned on pages 215 of the 2015 annual report of BNPPF (incorporated by reference in this Base Prospectus), being the Information related to Article 523 of the Belgian Companies Code relating to the “Remuneration and benefits awarded to the BNP Paribas Fortis Executive Directors” which was a decision of a meeting held by the Board of Directors of BNPPF on 19 March 2015, to the best of BNPPF's knowledge, no conflicts of interest exist between any duties to BNPPF of the persons set out above and their private interests and/or other duties disclosed above. However, functional conflicts of interest may exist due to roles held by these persons in other affiliates of BNPPF.

### **Audit Committee**

In accordance with the Belgian Banking Law, BNPPF is required to set up a separate audit committee to assist the Board of Directors with audit related matters.

Role and responsibilities:

The competences of the audit committee are set forth in the Belgian Banking Law and are listed herewith: finance, internal control and risk management, internal audit and external audit. The audit committee shall, upon request of the Board of Directors, assist (and make recommendations to) the Board of Directors in all audit and accounting related matters.

### **Risk committee**

In accordance with the Belgian Banking Law, BNPPF is required to set up a separate risk committee to assist the board of directors with risk (related) matters.

Role & responsibilities:

The risk committee shall, upon request of the board of directors, assist (and make recommendations to) the board of directors in all risk (related) matters.

In addition, several special competences of the risk committee are set forth in the Belgian Banking Law and are listed herewith: (i) risk tolerance, (ii) price setting and (iii) remuneration policy.

### **Governance and nomination committee (GNC)**

In accordance with the Belgian Banking Law, BNPPF is required to set up a separate governance and nomination committee to assist the board of directors with nomination (related) matters.

Role and responsibilities:

The competences of the governance and nomination committee are set forth in the Banking Law and the regulations of the Belgian National Bank and include being capable of rendering a sound and independent judgment on the composition and functioning of the board of directors and other management bodies of BNPPF and specifically on the individual and collective expertise of their members, their integrity, reputation, independence of spirit and availability.

### **Remuneration committee (RemCo)**

In accordance with the Belgian Banking Law, BNPPF is required to set up a separate remuneration committee to assist the board of directors with remuneration (related) matters.

Role and responsibilities:

The competences of the remuneration committee are set forth in the Belgian Banking Law and include being capable to provide a sound and independent judgement on the remuneration policies and reward practices and related incentives taking into account risk control, net equity needs and liquidity position.

## **Corporate governance**

BNPPF is of the opinion that it complies in general with the principles of the Belgian corporate governance code of 2009 (the **Code**). The most important deviation relates to Principle 8 of the Code concerning the “Dialogue with shareholders”. The fact that BNPPF is not able to fully comply with Principle 8 of the Code results from the shareholdership of BNPPF. Specifically, BNP Paribas S.A. holds 99.93% of the issued shares of BNPPF. The remaining 0.07% of the issued shares are held by minority shareholders. Nevertheless, BNPPF constantly communicates with its various stakeholders through its website and via other media.

For more information on the BNPPF’s governance, please refer to the Corporate Governance Charter of BNPPF published on [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com) (select the section “your bank”, and then the section “corporate governance”).

## **7. GENERAL**

The basis for any statements in this Base Prospectus made by BNPPF regarding its competitive position originate from BNPPF's evaluation of market trends and should generally reflect market views.

The business address of all members of the Board of Directors of BNPPF is Rue Royale 20, B-1000 Brussels, Belgium.

## **8. TREND INFORMATION**

### **Macroeconomic environment**

Market and macroeconomic conditions affect BNPPF's results. The nature of BNPPF's business makes it particularly sensitive to market and macroeconomic conditions in Europe, which have been at times changing and volatile in recent years.

In 2015, the global economic activity remained sluggish. Activity slowed down in emerging countries, while a modest recovery continued in developed countries. The global outlook is still impacted by three major transitions: the diminished economic growth in China, the fall in prices of energy and other commodities, and an initial tightening of US monetary policy in a context of resilient internal recovery, while the central banks of several major developed countries are continuing to ease their monetary policies. For 2016, the IMF<sup>7</sup> is forecasting the progressive recovery of global economic activity but with low growth prospects on the medium term in developed and emerging countries.

While the exposure of the BNP Paribas Group in emerging countries is limited, the vulnerability of these economies may generate disruptions in the global financial system that could affect the BNP Paribas Group (including BNPPF) and potentially alter its results.

In numerous emerging economies, an increase in foreign currency commitments was observed in 2015, while the levels of indebtedness (both in foreign and local currencies) are already high. Moreover, the prospects of a progressive hike in key rates in the United States (first rate increase decided by the Federal Reserve in December 2015), as well as heightened financial volatility linked to the concerns regarding growth in emerging countries, have contributed to the stiffening

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<sup>7</sup> See: IMF – October 2015 Financial Stability Report, Advanced Countries and January 2016 update

of external financial conditions, capital outflows, further currency depreciations in numerous emerging countries and an increase in risks for banks. This could lead to the downgrading of sovereign ratings.

Given the possible standardisation of risk premiums, there is a risk of global market disruptions (rise in risk premiums, erosion of confidence, decline in growth, postponement or slowdown in the harmonisation of monetary policies, drop in market liquidity, problem with the valuation of assets, shrinking of the credit offering, and chaotic de-leveraging) that would affect all banking institutions.

The continuation of a situation with exceptionally low interest rates could promote excessive risk-taking by certain financial players: increase in the maturity of loans and assets held, less stringent loan granting policies, increase in leverage financing.

Some players (insurance companies, pension funds, asset managers, etc.) entail an increasingly systemic dimension and in the event of market turbulence (linked for instance to a sudden rise in interest rates and/or a sharp price correction) they may decide to unwind large positions in an environment of relatively weak market liquidity.

Such liquidity pressure could be exacerbated by the recent increase in the volume of assets under management placed with structures investing in illiquid assets.

### **Laws and Regulations Applicable to Financial Institutions**

Laws and regulations applicable to financial institutions that have an impact on BNPPF have significantly evolved in the wake of the global financial crisis. The measures that have been proposed and/or adopted in recent years include more stringent capital and liquidity requirements (particularly for large global banking groups such as the BNP Paribas Group), taxes on financial transactions, restrictions and taxes on employee compensation, limits on the types of activities that commercial banks can undertake and ring-fencing or even prohibition of certain activities considered as speculative within separate subsidiaries, restrictions on certain types of financial products, increased internal control and reporting requirements, more stringent conduct of business rules, mandatory clearing and reporting of derivative transactions, requirements to mitigate risks in relation to over-the-counter derivative transactions and the creation of new and strengthened regulatory bodies.

The measures that were recently adopted, or in some cases proposed and still under discussion, that have or are likely to affect BNPPF, include in particular the EU Directive and Regulation on prudential requirements "CRD IV" dated 26 June 2013 and many of whose provisions have been applicable since 1 January 2014; the proposals of technical regulatory and execution rules relating to the Directive and Regulation CRD IV published by the EBA; the Belgian Banking Law dated 25 April 2014 replacing the previous law of 1993 and introducing important changes; the Belgian Royal Decree dated 22 February 2015 determining the entry into force of the Belgian Banking Law provisions relating to resolution (including the establishment of a Belgian Resolution Authority) and creating two preferential rights on the bank's movables; the Belgian Royal Decree dated 18 December 2015 amending the law of 25 April 2014 on the status and supervision of credit institutions and the Royal Decree of 26 December 2015 amending the law of 25 April 2014 on the status and supervision of credit institutions relating to the resolution and recovery of group failures; the public consultation for the reform of the structure of the EU banking sector of 2013

and the European Commission's proposed regulation on structural measures designed to improve the strength of EU credit institutions of 29 January 2014; the proposal for a regulation on indices used as benchmarks in financial instruments and financial contracts; the European Single Supervisory Mechanism; the European Single Resolution Mechanism dated 15 July 2014 and the European Directive on Bank Recovery and Resolution dated 15 May 2014; the European Directive on Revised Deposit Guarantee Schemes dated 16 April 2014; the final rule for the regulation of foreign banks imposing certain liquidity, capital and other prudential requirements adopted by the U.S. Federal Reserve; the proposal of the U.S. Federal Reserve relating to liquidity ratios of large banks; and the "Volcker" Rule imposing certain restrictions on investments in or sponsorship of hedge funds and private equity funds and proprietary trading activities (of U.S. banks and to some extent non-U.S. banks) that was recently adopted by the U.S. regulatory authorities. More generally, regulators and legislators in any country may, at any time, implement new or different measures that could have a significant impact on the financial system in general or BNPPF in particular.

## **9. ACCREDITED STATUTORY AUDITORS OF BNPPF**

The financial statements for the year ending 31 December 2015 of BNPPF have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BV o.v.v. CVBA, represented by Damien Walgrave, Partner, Woluwedal 18, B-1932 Sint-Stevens Woluwe, Brussels, and Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Yves Dehogne and Bernard de Meulemeester, Partners, Berkenlaan 8c, B 1831 Diegem, in accordance with the laws of Belgium. An unqualified opinion on the consolidated financial statements with an explanatory paragraph has been issued on 5 April 2016. All are members of the *Instituut der Bedrijfsrevisoren (IBR)/Institut des Réviseurs d'Enterprises (IRE)*.

The financial statements for the year ending 31 December 2014 of BNPPF have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BV o.v.v. CVBA, represented by Roland Jeanquart, Partner, Woluwedal 18, B-1932 Sint-Stevens Woluwe, Brussels, and Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Philip Maeyaert and Frank Verhaegen, Partners, Berkenlaan 8c, B 1831 Diegem, in accordance with the laws of Belgium. An unqualified opinion on the consolidated financial statements with an explanatory paragraph has been issued on 31 March 2015. All are members of the *Instituut der Bedrijfsrevisoren (IBR)/Institut des Réviseurs d'Enterprises (IRE)*.

## **10. SIGNIFICANT CHANGE IN BNPPF'S FINANCING OR TRADING POSITION**

There has been no significant change in the financial or trading position of BNPPF since 30 June 2016.

## **11. MATERIAL ADVERSE CHANGE**

There has been no material adverse change in the prospects of BNPPF since 31 December 2015.

## **12. PROFIT FORECASTS OR ESTIMATES**

This Base Prospectus does not include any profit forecasts or estimates with regard to BNPPF.



### **13. LEGAL AND ARBITRATION PROCEEDINGS**

Save as disclosed in the section "*Risk Factors relating to BNPPF*" in this Base Prospectus and under Note 8.a (*Contingent liabilities: legal proceedings and arbitration*) on pages 128 to 129 in the 2015 Annual Report of BNPPF (which is incorporated by reference in this Base Prospectus), there have been no governmental, legal and arbitration proceedings during a period covering 12 months prior to this Base Prospectus which may have, or have had in the recent past, significant effects on BNPPF's and/or the BNP Paribas Group's financial position or profitability.

## SECTION 16 - TAXATION

### Belgium

*The following summary describes the principal Belgian tax considerations of acquiring, holding and selling the Mortgage Pandbrieven. This information is of a general nature and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Mortgage Pandbrieven. In some cases, different rules may apply. This summary does not describe the tax consequences for a holder of Mortgage Pandbrieven that are redeemable in exchange for, or convertible into assets, of the exercise, settlement or redemption of such Mortgage Pandbrieven or any tax consequences after the moment of exercise, settlement or redemption. Furthermore, this description is based on current legislation, published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect.*

*Prospective holders of Mortgage Pandbrieven are urged to consult their own professional advisers with respect to the tax consequences of an investment in the Mortgage Pandbrieven, taking into account their own particular circumstances and the possible impact of any regional, local or national laws.*

### General

For the purpose of the below summary, a Belgian resident is (i) an individual subject to Belgian personal income tax (ie, an individual who has his domicile in Belgium or has his seat of wealth in Belgium, or a person assimilated to a Belgian resident), (ii) a legal entity subject to Belgian corporate income tax (ie a company that has its registered office, its main establishment, its administrative seat or its seat of management in Belgium), or (iii) a legal entity subject to Belgian legal entities tax (ie an entity other than a legal entity subject to corporate income tax having its registered office, its main establishment, its administrative seat or its seat of management in Belgium).

A non-resident is a person or entity that is not a Belgian resident.

For Belgian income tax purposes, interest includes (i) periodic interest income, (ii) any amounts paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer), (iii) if the Mortgage Pandbrieven qualify as "fixed income securities" (in the meaning of article 2, §1, 8° of the Belgian Income Tax Code 1992) in case of a sale of the Mortgage Pandbrieven between two interest payment dates to any third party, excluding the Issuer, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks ('kasbon' / 'bon de caisse') and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

### Belgian withholding tax

#### General

The interest component of payments on the Mortgage Pandbrieven made by or on behalf of the Issuer is as a rule subject to Belgian withholding tax, currently at a rate of 27 per cent. on the gross amount of such interest. Both Belgian domestic tax law and applicable tax treaties may provide for a lower or zero rate subject to certain conditions.

## **Belgian interest withholding tax exemption for certain holders of Dematerialised Mortgage Pandbrieven (X/N withholding tax exemption)**

The holding of the Mortgage Pandbrieven in the X/N clearing system of the NBB (the **Securities Settlement System**) permits investors to collect interest on their Mortgage Pandbrieven free of Belgian withholding tax if and as long as at the moment of payment or attribution of interest the Mortgage Pandbrieven are held by certain types of investors (the **Eligible Investors**, see below) in an exempt securities account (**X-account**) that has been opened with a financial institution that is a direct or indirect participant (a **Participant**) in the Securities Settlement System of the *Nationale Bank van België/Banque Nationale de Belgique*. Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Mortgage Pandbrieven through the Securities Settlement System enables Eligible Investors to receive the interest income on their Mortgage Pandbrieven free of Belgian withholding tax and to transfer the Mortgage Pandbrieven on a gross basis.

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 as amended from time to time) on the deduction of withholding tax (*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*), which include *inter alia*:

- (i) Belgian resident companies referred to in article 2, §1, 5°, b) Belgian Income Tax Code of 1992 (*wetboek van inkomstenbelastingen 1992 / code des impôts sur les revenus 1992*) (**BITC**);
- (ii) Without prejudice to article 262,1° and 5° of the BITC, the institutions, associations or companies referred to in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3°;
- (iii) Semi-governmental institutions (*institutions parastatales / parastatalen*) for social security or institutions assimilated therewith, as referred to in article 105, 2° of the Royal Decree of 27 August 1993 implementing the BITC (**RD/BITC**);
- (iv) Non-resident investors referred to in article 105, 5° RD/BITC;
- (v) Investment funds referred to in article 115 of the RD/BITC;
- (vi) Investors referred to in article 227, 2° BITC, that are subject to non-resident income tax (*belasting van niet-inwoners / impôt des non-résidents*) in accordance with article 233 of the BITC and which have used the Mortgage Pandbrieven for the exercise of their professional activities in Belgium;
- (vii) The Belgian State, in respect of investments which are exempt from withholding tax in accordance with article 265 BITC;
- (viii) Investment funds governed by foreign law (such as *fonds de placement / beleggingsfondsen*) that are undivided estate managed by a management company for the account of the participants, provided the funds units are not publicly issued in Belgium or traded in Belgium; and
- (ix) Belgian resident companies, not referred to under (i), whose sole or principal activity consists of the granting of credits and loans.

Eligible Investors do not include, *inter alia*, Belgian resident individuals and Belgian non-profit organisations, other than those mentioned under (ii) and (iii) above.

Participants to the Securities Settlement System must keep the Mortgage Pandbrieven which they hold on behalf of non-Eligible Investors in a non-exempt securities account (**N-account**). In such instance all payments of interest are subject to withholding tax, currently at a rate of 27 per cent. This withholding tax is withheld by the NBB from the interest payment and paid to the tax authorities.

Transfers of Mortgage Pandbrieven between an X-account and an N-account give rise to certain adjustment payments on account of withholding tax:

- (i) A transfer from an N-account (to an X-account or N-account) gives rise to the payment by the transferring non-Eligible Investor to the NBB of withholding tax on the accrued interest calculated from the last interest payment date up to the transfer date.
- (ii) A transfer from an X-account (or N-account) to an N-account gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued interest calculated from the last interest payment date up to the transfer date.
- (iii) Transfers of Mortgage Pandbrieven between two X-accounts do not give rise to any adjustment on account of withholding tax.

When opening an X-account for the holding of Mortgage Pandbrieven, an Eligible Investor will be required to certify its eligible status on a standard form approved by the Belgian Minister of Finance and send it to the participant to the Securities Settlement System where this account is kept. This statement needs not be periodically reissued (although Eligible Investors must update their certification should their eligible status change). Participants to the Securities Settlement System are however required to annually report to the NBB as to the eligible status of each investor for whom they hold Mortgage Pandbrieven in an X-account during the preceding calendar year.

These identification requirements do not apply to Mortgage Pandbrieven held with Euroclear or Clearstream, Luxembourg acting as Participants to the Securities Settlement System, provided that they only hold X-accounts and that they are able to identify the holders for whom they hold Mortgage Pandbrieven in such account.

### **Belgian interest withholding tax exemption for certain holders of Registered Mortgage Pandbrieven**

Payments of interest and principal by the Issuer under the Registered Mortgage Pandbrieven (except Zero Coupon Mortgage Pandbrieven and other Registered Mortgage Pandbrieven which provide for the capitalisation of interest) may be made without deduction of withholding tax provided that the following conditions are cumulatively met (Article 107, §2, 5°, b) and 8°, and Article 118, §1, 1° and 2° of the RD/BITC):

- (i) the Registered Mortgage Pandbrieven are registered in the name of the holder with the Issuer during the entire relevant Interest Period;
- (ii) the holder is the legal owner (*eigenaar/propriétaire*) or usufructuary (*vruchtgebruiker/usufruitier*) of Registered Mortgage Pandbrieven in respect of which it is entitled to payment of interest, uninterruptedly for the entire relevant Interest Period;
- (iii) the holder is either (A) not resident for tax purposes in Belgium and does not use the income producing assets to exercise a business or professional activity in Belgium; or (B) a financial institution or institution which is assimilated therewith, provided for in Article 105, 1° of the

RD/BITC; or (C) a state regulated institution (*parastatale/institution parastatale*) for social security, or institution which is assimilated therewith, provided for in Article 105, 2° of the RD/BITC; and

- (iv) upon each interest payment, the holder must provide the Issuer with an affidavit in which it is certified that the conditions mentioned in points (ii) and (iii) are complied with.

If Belgian withholding tax was levied by the Issuer further to non-compliance of condition (ii) above, then the transferor and/or the transferee have the right, subject to certain time limitations and provided conditions (i) and (iii) are fulfilled, to file a claim with the Belgian tax authorities to request a refund of Belgian withholding tax on the pro rata amount of interest attributable to them (Article 119, §1 of the RD/BITC).

## **Belgian income tax and capital gains**

### **Belgian resident individuals**

For individuals who are Belgian residents for tax purposes, ie, who are subject to the Belgian personal income tax (*Personenbelasting/Impôt des personnes physiques*), payment of the 27 per cent. interest withholding tax fully discharges them from their personal income tax liability with respect to interest received on the Mortgage Pandbrieven (*précompte mobilier libérateur/bevrijdende roerende voorheffing*). This means that they do not have to report the interest obtained from the Mortgage Pandbrieven in their personal income tax return, provided that Belgian withholding tax was in fact levied on the interest.

Belgian resident individuals may nevertheless elect to report the interest in their personal income tax return. Where the beneficiary opts to report the interest, interest payments will normally be taxed at withholding separate tax rate of 27 per cent. (or at the progressive personal tax rates taking into account the taxpayer's other reported income, whichever is more beneficial). If the interest payment is reported, the Belgian withholding tax retained may be credited.

Capital gains realised on the sale of the Mortgage Pandbrieven are in principle tax exempt, unless the capital gains are realised outside the scope of the management of the transferor's private estate or unless the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

### **Different tax rules apply to Belgian resident individuals who do not hold the Mortgage Pandbrieven as a private investment.**

### **Belgian resident companies**

Interest attributed or paid to corporate Mortgage Pandbrieven Holders who are Belgian residents for tax purposes, i.e. who are subject to Belgian corporate income tax (*vennootschapsbelasting / impôt des sociétés*), as well as capital gains realised upon disposal of the Mortgage Pandbrieven are taxable at the ordinary corporate income tax rates (the normal corporate tax rate is 33.99 per cent. but lower rates apply to small income companies under certain conditions). Any Belgian interest withholding tax retained will generally, subject to certain conditions, be creditable against any corporate income tax due and the excess amount will be refundable. Capital losses realised upon disposal of the Mortgage Pandbrieven are in principle tax deductible.

### **Belgian legal entities**

Belgian legal entities subject to the Belgian legal entities tax (*rechtspersonenbelasting / impôt des personnes morales*) which do not qualify as Eligible Investors (as defined in the Section "Belgian

Withholding Tax – X/N clearing system of the NBB”) and/or which do not hold the Mortgage Pandbrieven through an X-account in the Securities Settlement System are subject to a withholding tax of 27 per cent. on any interest payments received under the Mortgage Pandbrieven. Such withholding tax then generally constitutes the final taxation in the hands of the relevant beneficiaries.

Belgian legal entities which do qualify as Eligible Investors (as defined in the section “Belgian Withholding Tax – X/N clearing system of the NBB”) and which hold the Mortgage Pandbrieven through an X-account in the Securities Settlement System, and which consequently have received gross interest income on the Mortgage Pandbrieven, are required to report and pay the 27 per cent. withholding tax to the Belgian tax authorities themselves.

Capital gains realised on the sale of the Mortgage Pandbrieven are in principle tax exempt, unless the capital gain qualifies as interest (as defined above). Capital losses are in principle not tax deductible.

### **Organisation for Financing Pensions**

Interest and capital gains derived by Organisations for Financing Pensions (**OFP**) in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle not included in the OFP’s corporate income tax base and are therefore, as a rule, not subject to corporate income tax at the level of the latter. Subject to certain conditions, the Belgian withholding tax that may have been levied on the interest due under the Mortgage Pandbrieven can be credited against any corporate income tax due and any excess amount is in principle refundable.

### **Belgian non-residents**

Mortgage Pandbrieven Holders who are non-residents of Belgium for Belgian tax purposes and are not holding the Mortgage Pandbrieven through a Belgian establishment and do not invest the Mortgage Pandbrieven in the course of their Belgian professional activity will not incur or become liable for any Belgian tax on income or capital gains by reason only of the acquisition, ownership or disposal of the Mortgage Pandbrieven, provided that they qualify as Eligible Investors and hold their Mortgage Pandbrieven through an X-account in the Securities Settlement System.

If the Mortgage Pandbrieven are not entered into an X-account by the Eligible Investor, withholding tax on the interest is in principle applicable at the current rate of 27 per cent., possibly reduced pursuant to Belgian domestic tax law or applicable tax treaties, on the gross amount of the interest.

### **European Directive on taxation of savings income in the form of interest payments**

The EU has adopted a directive (European Council Directive 2003/48/EC) regarding the taxation of savings income (as amended, supplemented or replaced from time to time, hereinafter **Savings Directive**). Under the Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State (hereinafter **Disclosure of Information Method**). However, for a transitional period, Austria instead is required (unless during that period it elects otherwise) to operate a withholding system (hereinafter **Source Tax**) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the EU Council of Ministers has adopted a Council Directive pursuant to which Member States are required, as from 1 January 2016, to extend the scope of the requirements described above to (among other things) (i) payments made under certain financial instruments and life insurance contracts that are considered equivalent to debt claims (ii) certain payments that are made to entities or legal arrangements (such as trusts) established outside the EU, where an individual resident in a Member State other than that of the paying agent is regarded as the beneficial owner of that payment and (iii) payments made to certain entities or legal arrangements established in the EU which are treated as paying agents on receipt of interest payments.

The Savings Directive has, however, been repealed with effect as from 1 January 2016 (save in the case of Austria, for which special transitional rules apply). This repeal intends to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU) that has entered into force on 1 January 2016. Given the abolishment of the Savings Directive, Member States will not be required to apply the new requirements of the Council Directive 2014/48/EU amending and broadening the scope of the EU Savings Directive.

### **EU Directive on administrative cooperation in the field of direct taxation**

In February 2011, Directive 2011/16/EU as regards administrative cooperation in the field of taxation was adopted in order to strengthen administrative cooperation in the field of direct taxation so as to enable the EU Member states to better combat tax evasion and tax fraud. In December 2014, this Directive was amended by Council Directive 2014/107/EU which extended the cooperation between tax authorities to automatic exchange of financial account information between Member States, including income categories contained in the Savings Directive. Therefore, on 18 March 2015 the Commission presented a proposal to Council to repeal the Savings Directive. This proposal has meanwhile been adopted by the Council and applies as from 1 January 2016.

The EU Commission is currently in negotiations with some non EU countries (e.g. Monaco) to update their respective Savings agreements in line with developments at EU and international level. The EU has already concluded similar tax transparency agreements with various other non EU Member States (e.g. Switzerland, Liechtenstein, Andorra).

### **Tax on stock exchange transactions**

A tax on stock exchange transactions (*beurstaks/taxe sur les opérations de bourse*) will be due on the purchase and sale in Belgium of the Mortgage Pandbrieven on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of EUR 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary. The acquisition of the Mortgage Pandbrieven upon their issuance (primary market) is not subject to the tax on stock exchange transactions.

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

## SECTION 17 – SUBSCRIPTION AND SALE

The Dealers, in a programme agreement to be dated on or about 16 September 2016 (as amended and/or supplemented and/or restated from time to time the **Programme Agreement**), will agree with the Issuer a basis upon which they or any of them may from time to time agree to purchase Mortgage Pandbrieven. Any such agreement will extend to those matters stated under “*Form of the Mortgage Pandbrieven*” and “*Terms and Conditions of the Mortgage Pandbrieven*” above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Mortgage Pandbrieven under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Mortgage Pandbrieven or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Mortgage Pandbrieven under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. None of the Issuer nor any other Dealer shall have any responsibility therefor.

None of the Issuer nor any of the Dealers represents that Mortgage Pandbrieven may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

In particular (but without limiting the generality of the above), subject to any amendment or supplement which may be agreed with the Issuer in respect of the issue of any Tranche, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, to comply with the following provisions except to the extent that, as a result of any change in, or the official interpretation of, any applicable laws and/or regulations, non-compliance would not result in any breach of the applicable laws and/or regulations.

### United States

The Mortgage Pandbrieven have not been or will not be registered under the U.S. Securities Act of 1933 as amended (the **Securities Act**) and the Mortgage Pandbrieven may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it has not offered or sold and will not offer or sell the Mortgage Pandbrieven of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer and/or the Principal Paying Agent by the relevant Dealer, or, in the case of Mortgage Pandbrieven issued on a syndicated basis, the relevant lead manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Mortgage Pandbrieven during the distribution compliance



period a confirmation or other notice setting forth the restrictions on offers and sales of the Mortgage Pandbrieven within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Mortgage Pandbrieven are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Mortgage Pandbrieven within the United States by any dealer may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Mortgage Pandbrieven outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Mortgage Pandbrieven, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

### **Public Offer Selling Restriction Under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a **Relevant Member State**), each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**), it has not made and will not make an offer of Mortgage Pandbrieven which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Mortgage Pandbrieven to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Mortgage Pandbrieven to the public” in relation to any Mortgage Pandbrieven in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Mortgage Pandbrieven to be offered so as to enable an investor to decide to purchase or subscribe the Mortgage Pandbrieven, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive

2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Mortgage Pandbrieven which have a maturity of less than one year from the date of issuance, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any such Mortgage Pandbrieven other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issuance of the Mortgage Pandbrieven would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the **UK FSMA 2000**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK FSMA 2000) received by it in connection with the issuance or sale of any Mortgage Pandbrieven in circumstances in which Section 21(1) of the UK FSMA 2000 does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the UK FSMA 2000 with respect to anything done by it in relation to any Mortgage Pandbrieven in, from or otherwise involving the United Kingdom.

### **Belgium**

Any offering of the Mortgage Pandbrieven will be exclusively conducted under applicable private placement exemptions.

Registered Mortgage Pandbrieven may not be acquired by a Belgian or foreign transferee who is not subject to income tax or who is, as far as interest income is concerned, subject to a tax regime that is deemed by the Belgian tax authorities to be significantly more advantageous than the common Belgian tax regime applicable to interest income (within the meaning of Articles 54 and 198, §1, 11° of the Belgian Income Tax Code 1992) or who is resident or established in a tax haven country or a low-tax jurisdiction (within the meaning of Article 307 of the Belgian Income Tax Code 1992).

### **The Netherlands**

The Mortgage Pandbrieven (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Base Prospectus nor any other document in relation to any offering of the Mortgage Pandbrieven (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Directive (as defined under "*Public Offer Selling Restriction Under the Prospectus Directive*" above), provided that these parties acquire the Mortgage Pandbrieven for their own account or that of another qualified investor.

## Switzerland

The Mortgage Pandbrievien may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Mortgage Pandbrievien constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this Base Prospectus nor any other offering or marketing material relating to the Mortgage Pandbrievien may be publicly distributed or otherwise made publicly available in Switzerland.

## Japan

The Mortgage Pandbrievien have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each of the Dealers and the Issuer has represented and agreed that it has not, directly or indirectly offered, or sold and will not, directly or indirectly, offer or sell any Mortgage Pandbrievien in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## France

This Base Prospectus and any applicable Final Terms have not been prepared in the context of a public offering in France within the meaning of Article L.411-1 of the French Code Monétaire et Financier and Title I of Book II of the *Règlement Général of the Autorité des Marchés Financiers* (the **AMF**) and therefore has not been approved by, registered or filed with the AMF. Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, any Covered Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the applicable Final Terms or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to, (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) when acting for their own account, qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2, L.412-1 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

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## SECTION 19 – GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Mortgage Pandbrieven have been duly authorised by resolutions of the ALM Committee of the Issuer 6 June 2016.

### Listing and admission to trading of Mortgage Pandbrieven

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

Application has been made to Euronext Brussels for the Mortgage Pandbrieven issued under the Programme to be listed on Euronext Brussels. Application may also be made for Mortgage Pandbrieven issued under the Programme to be admitted to trading on another market that is also a regulated market under such Directive. The Programme also permits Mortgage Pandbrieven to be issued on the basis that they (i) will not be admitted to listing, trading or quotation by any competent authority, stock exchange and/or quotation system or (ii) will be admitted to listing, trading and/or quotation by such other of further listing authorities, stock exchanges and/or quotation systems as may be agreed by the Issuer. References in this Base Prospectus to Mortgage Pandbrieven being “**listed**” (and all related references) shall mean that the Mortgage Pandbrieven have been listed on Euronext Brussels and admitted to trading on Euronext Brussels’ regulated market or on another regulated market for the purposes of MiFID, as specified in the relevant Final Terms.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will be available during normal business hours at the registered office of the Issuer and from the specified office of the Paying Agent (where applicable, with an English translation thereof):

- (i) the constitutional documents of the Issuer;
- (ii) the Special Estate Administration Agreement;
- (iii) the Cover Pool Monitor Agreement;
- (iv) the Mortgage Pandbrieven Holders Representative Agreement; and
- (v) the Agency Agreement (including its Schedules).

For the period of 12 months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents will be available on the website of the Issuer at [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com) and/or on the website of Euronext Brussels at [www.nyx.com](http://www.nyx.com) and during normal business hours at the registered office of the Issuer:

- (i) this Base Prospectus;
- (ii) the audited annual consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2014 and 31 December 2015;
- (iii) the half-yearly report 2016 in respect of the half-year ended 30 June 2016; and
- (iv) any base prospectuses, information memoranda and supplements including Final Terms relating to Mortgage Pandbrieven which are listed on Euronext Brussels or offered in a Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (whether or not listed on Euronext Brussels).

Copies of each Final Terms (together with the relevant Base Prospectus) relating to Mortgage Pandbrieven which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Mortgage Pandbrieven (together with the relevant Base Prospectus) will only be available for viewing by a holder of such Mortgage Pandbrieven upon production of evidence satisfactory to the Issuer as to the identity of such holder.

### **Financial Statements**

The financial statements for the year ending 31 December 2014 of BNPPF have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BV o.v.v. CVBA, represented by Roland Jeanquart, Partner, Woluwedal 18, B 1932 Sint-Stevens Woluwe, Brussels, and Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Philip Maeyaert and Frank Verhaegen, Partners, Berkenlaan 8b, B 1831 Diegem, in accordance with the laws of Belgium. An unqualified opinion on the consolidated financial statements with an explanatory paragraph has been issued on 31 March 2015. All are members of the Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Enterprises.

The financial statements for the year ending 31 December 2015 of BNPPF have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BV o.v.v. CVBA, represented by Damien Walgrave, Partner, Woluwedal 18, B 1932 Sint-Stevens Woluwe, Brussels, and Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Yves Dehogne and Bernard De Meulemeester, Partners, Berkenlaan 8b, B 1831 Diegem, in accordance with the laws of Belgium. An unqualified opinion on the consolidated financial statements with an explanatory paragraph has been issued on 5 April 2016. All are members of the Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Enterprises.

BNPPF does not intend to provide post-issuance information in relation to the underlying assets under paragraph 7.5 of Annex XII of Regulation (EC) No. 809/2004, except as otherwise stated in the relevant Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue J.F. Kennedy, L-1855 Luxembourg. The address of the National Bank of Belgium as operator of the X/N System is Boulevard de Berlaimont 14, 1000 Brussels, Belgium.

### **Clearing Systems**

The Dematerialised Mortgage Pandbrieven have been accepted for clearance through the Securities Settlement System, Euroclear and Clearstream, Luxembourg. The appropriate Common Code and

ISIN for each Tranche will be specified in the applicable Final Terms. If the Dematerialised Mortgage Pandbrieven are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of the NBB is De Berlaimontlaan 14, 1000 Brussels, the address of Euroclear is 3 Boulevard du Roi Albert III, 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg.

### **Conditions for Determining Price**

The price and amount of Mortgage Pandbrieven to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been:

- (i) no significant change in the financial or trading position of the Issuer since 30 June 2016; and
- (ii) no material adverse change in the financial position, business or prospects of the Issuer on a consolidated basis since 31 December 2015.

### **Statutory Auditors**

The auditors of the Issuer are PricewaterhouseCoopers Bedrijfsrevisoren BV o.v.v. CVBA and Deloitte Reviseurs d'Entreprises SC *sous forme d'une* S.C.R.L.. The auditors of the Issuer are members of the *Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Entreprises*. The financial statements of the Issuer for the years ended 31 December 2014 and 31 December 2015 have been audited in accordance with ISA and resulted, in each case, in an unqualified opinion. The auditors of the Issuer have no material interest in the Issuer

The reports of the auditors of the Issuer are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Base Prospectus.

### **Material Contract**

There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Mortgage Pandbrieven Holders in respect of the Mortgage Pandbrieven being issued.

### **Post-issuance information**

The Issuer will provide Investor Reports detailing, among other things, compliance with the Statutory Tests. This information will be available at [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com).

### **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including

bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Mortgage Pandbrieven issued under the Programme. Any such short positions could adversely affect future trading prices of Mortgage Pandbrieven issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE ISSUER**

**BNP Paribas Fortis SA/NV**

Montagne du Parc 3  
1000 Brussels  
Belgium

**DEALERS**

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1000 Brussels  
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**DOMICILIARY, PAYING AND LISTING AGENT**

**BNP Paribas Fortis SA/NV**

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**MORTGAGE PANDBRIEVEN HOLDERS' REPRESENTATIVE**

**STICHTING BNP PARIBAS FORTIS MORTGAGE PANDBRIEVEN REPRESENTATIVE,**

Prins Bernhardplein 200

1097 JB Amsterdam

The Netherlands

**ARRANGERS**

**BNP Paribas Fortis NV/SA**

**BNP Paribas**

**COVER POOL MONITOR**

**DAVID DE SCHACHT** 3391 Tielt-Winge, Attenrodestraat 43

and **JURGEN DE RAEDEMAEKER** 3210 Lubbeek, Molendries 42

**LEGAL ADVISER**

*To the Issuer, the Arrangers and the Dealers as to Belgian law*

**Stibbe CVBA**

Loksumstraat 25

B-1000 Brussels

Belgium

## **AUDITORS**

*To the Issuer*

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