

14 March 2017

FIRST SUPPLEMENT TO THE BASE PROSPECTUS



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

This first supplement dated 14 March 2017 to the Base Prospectus (the "**Supplement**") is prepared in connection with the Residential Mortgage Pandbrieven Programme referred to above (the "**Programme**") and is a supplement to the base prospectus dated 12 September 2016 prepared by BNP Paribas Fortis SA/NV ("**BNPPF**") (the "**Issuer**") relating to the Programme (the "**Base Prospectus**"). This Supplement is supplemental to and should be read in conjunction with the Base Prospectus issued by the Issuers.

This Supplement has been mainly prepared for the purposes of (i) incorporating by reference the 2016 annual report of the Issuer and (ii) updating certain information regarding Belgian taxation as applicable from 1 January 2017.

This Supplement has been approved on the date hereof 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. This approval is not and should not be considered to be a judgment as to the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer. This Supplement has been prepared pursuant to article 34 of the Belgian Prospectus Law.

The Issuer will, at its registered office and at the specified offices of the Paying Agents and the Listing Agent in Belgium, provide, free of charge, upon oral or written request, a copy of this Supplement. In addition, this Supplement will be available in electronic form on the

website of the FSMA (www.fsma.be) and on the website of BNPPF (www.bnpparibasfortis.be/emissions).

Unless the contrary is stated, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement. In case of inconsistency between a statement contained in this Supplement and any other statement in or incorporated by reference in the Base Prospectus, the statement contained in this Supplement shall prevail. The Base Prospectus shall be amended as set out herein.

A. DOCUMENT INCORPORATED BY REFERENCE

The 2016 annual report of the Issuer has been previously published and, by virtue of this Supplement, is incorporated in, and forms part of, the Base Prospectus.

The following paragraphs are added under “Section 7 - DOCUMENTS INCORPORATED BY REFERENCE” on the top of page 112 of the Base Prospectus:

- The 2016 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 2016 (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 2016 page 44
 - (b) the statement of net income and change in assets and liabilities recognised directly in equity of BNPPF for the financial year ended 31 December 2016 page 45
 - (c) the balance sheet of BNPPF for the financial year ended 31 December 2016 page 46
 - (d) the cash flow statement of BNPPF for the financial year ended 31 December 2016 page 47
 - (e) the statement of changes in shareholders' equity between 1 January 2015 and 31 December 2016 page 48
 - (f) the notes to the consolidated balance sheet for the financial year ended 31 December 2016 financing commitments and guarantee commitments, salaries and employee benefits and additional information pages 85-154
 - (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 2016 (including their opinion with explanatory paragraphs) pages 207-210
 - (h) the section headed 'Information related to Article 523 of the Belgian companies code' describing decisions of the pages 216

B. AMENDMENT TO THE RISK FACTORS SECTION

The “Risk Factors” section on pages 32 to 72 of the Base Prospectus is amended as follows:

1. The Paragraphs under the sub-heading “*Risks relating to Mortgage Pandbrieven*” on pages 50 to 62 of the “*Risk Factors*” section of the Base Prospectus are amended as follows:
 - a. The sub-paragraph “*EU Savings Directive – Common Reporting Standard*” on pages 56-57 of the Base Prospectus is replaced by the following sub-paragraph:

“EU Directive on administrative cooperation in the field of direct taxation - Common Reporting Standard

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. On 9 December 2014, this Directive was amended by Council Directive 2014/107/EU on administrative cooperation in direct taxation (the “DAC2”) 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 (2003/48/EC).

Given this overlap, the Savings Directive, which since 2005 required the automatic exchange of information between member states on private savings income, was repealed by the Council on 10 November 2015 (remaining operational until end of 2015). Directive 2014/107/EU entered into force on 1 January 2016, with some transitional measures. These concern in particular a derogation granted to Austria, allowing it to apply the directive one year later than other member states.

Directive 2014/107/EU implements a single global standard developed by the OECD for the automatic exchange of information (“common reporting standards” or “CRS”). The Directive brings a list of financial information within the scope of the automatic exchange of information. This information consists of interest, dividends and similar type of income, gross proceeds from the sale of financial assets and other income, and account balances.

Belgium has transposed DAC2 and CRS by adopting the Belgian law of 16 December 2015.

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

- b. The sub-paragraph “*Foreign Account Tax Compliance Act*” on pages 57-58 of the Base Prospectus is amended as follows (the changes or/and additional wording appearing below in bold and in red):

“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).

Paragraph below is theoretical as Belgium is an IGA1 jurisdiction

Under FATCA, non-U.S. financial institutions **located in non-IGA1 jurisdictions** 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 **generally-currently** not be required to deduct or withhold amounts under FATCA **except for those cases identified in article 4 of the Belgium- USA IGA**. 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 **required 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 **relevant FATCA and IGA legislation and associated national guidance. 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 **as applicable in Belgium (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.”

- c. The sub-paragraph “*Risks relating to the proposed financial transactions tax (FTT)*” on pages 58-59 of the Base Prospectus is amended as follows (the changes or/and additional wording appearing below in bold and in red):

“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, **if introduced**, apply to certain **dealings transactions** 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 ~~w~~could 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.”

C. AMENDMENTS TO THE TERMS AND CONDITIONS OF THE MORTGAGE PANDBRIEVEN SECTION

The “*Terms and Conditions of the Mortgage Pandbrieven*” section on pages 118 to 154 of the Base Prospectus is amended as follows (the changes or/and additional wording appearing below in bold and in red):

1. The Paragraphs under the sub-heading “*Tax Gross-up*” on pages 145 to 147 of the “*Terms and Conditions of the Mortgage Pandbrieven*” section of the Base Prospectus are amended as follows:

“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 may be necessary to ensure that the net amounts received by the Mortgage Pandbrieven Holders after such deduction or withholding shall equal the respective amounts which would have been received by the Mortgage Pandbrieven Holders in the absence of such deduction or withholding.**

~~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:~~

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 Pandbrief 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 Pandbriefs were converted into registered Mortgage Pandbriefs 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~~
 - (ii) ~~(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
 - (iii) ~~(iv)~~ where such withholding or deduction is imposed because the holder of the Registered Mortgage Pandbrief is not a holder who is an Exempt Investor (as

defined below) (unless that person was an Exempt Investor at the time of its acquisition of the relevant Mortgage Pandbrief but has since ceased (as such term is defined from time to time under Belgian law) being an Exempt Investor by reason of a change in the Belgian tax laws or regulations or in the interpretation or application thereof); or

- (iv) ~~(v)~~ where such withholding or deduction is imposed for reason of the holder of the Registered Mortgage Pandbrieven, at the time of the relevant interest payment, not benefitting from a full exemption from Belgian interest withholding tax due to the Issuer no longer qualifying as a financial institution as referred to in the Articles 105, 1°, a) and 107, §2, 5°, b) of the Royal Decree implementing the Belgian Income Tax Code 1992”; or
- (v) ~~(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
- (vi) ~~(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
- (vii) ~~(viii)~~ which is issued as a Zero Coupon Mortgage Pandbrieven 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.”

D. AMENDMENTS TO THE TAXATION SECTION

The “*Taxation*” section on pages 220 to 226 of the Base Prospectus is amended as follows (the changes or/and additional wording appearing below in bold and in red):

1. The Paragraphs under the sub-heading “*Belgian Withholding Tax*” on pages 218 to 223 of the “*Taxation*” section of the Base Prospectus are amended as follows:

“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~~ **30** 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 exemptions** 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 **most types of** 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) **state regulated 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, **recognised in the framework of pension savings**, 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 **offered 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; **and**
- (x) only for the income from debt securities issued by legal persons that are part of the sector public authorities, in the sense of the European system of national and regional accounts (ESA), for the application of the European Community Rule N° 3605/93 of 22 November 1993 on the application of the Protocol on the procedure in case of excessive deficits attached to the Treaty of the European Communities, the legal entities that are part of the aforementioned sector of public authorities.**

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 30** 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).

2. The Paragraphs under the sub-heading “*Belgian income tax and capital gain*” on page 221 of the “*Taxation*” section of the Base Prospectus are amended as follows:

“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 **30** per cent. interest withholding tax fully discharges them from their personal income tax liability with respect to interest received on the Mortgage Pandbrieven (*précompte mobilier libératoire/bevrijdende roerende voorheffing*). This means that they do not have to report the

interest obtained from the Mortgage Pandbrieven in their personal income tax return, provided that Belgian withholding tax was in fact levied on the interest.

Belgian resident individuals may nevertheless elect to report the interest in their personal income tax return. Where the beneficiary opts to report the interest, interest payments will normally be taxed at withholding separate tax rate of **27.30** 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.

Provided the Mortgage Pandbrieven are not allocated to the professional activity of the individual, 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."

3. The Paragraphs under the sub-heading "*Different tax rules apply to Belgian resident individuals who do not hold the Mortgage Pandbrieven as a private investment.*" on pages 221 to 223 of the "*Taxation*" section of the Base Prospectus are amended as follows:

"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 **27.30** 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 **27.30** 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 **27.30** 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.~~

~~Given this overlap, the Savings Directive, which since 2005 required the automatic exchange of information between member states on private savings income, was repealed by the Council on 10 November 2015 (remaining operational until end of 2015). Directive 2014/107/EU entered into force on 1 January 2016, with some transitional measures. These concern in particular a derogation granted to Austria, allowing it to apply the directive one year later than other member states.~~

~~Directive 2014/107/EU implements a single global standard developed by the OECD for the automatic exchange of information (“common reporting standards” or “CRS”). The Directive brings a list of financial information within the scope of the automatic exchange of information. This information consists of interest, dividends and similar type of income, gross proceeds from the sale of financial assets and other income, and account balances.~~

~~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).~~

~~EU agreements with Andorra, Liechtenstein, San Marino, Switzerland and Monaco initially based on directive 2003/48/EC, have been revised to be aligned with Directive 2014/107/EU and the new global standard.~~

~~Belgium has transposed DAC2 and CRS by adopting the Belgian law of 16 December 2015..~~

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 ~~650-1300~~ 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).

RESPONSIBILITY STATEMENT

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