2010

# AXA BANK EUROPE //

## IFRS CONSOLIDATED FINANCIAL STATEMENTS 2010

redefining / standards

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All amounts included in the Financial Statements are expressed in thousands of euros unless stated otherwise.

The figures are presented according to absolute values and must therefore be read in function of the description in the relevant section, except in sections where the distinction is to be made between profits (absolute value) and losses (- sign).

# CONSOLIDATED
# INCOME STATEMENT

| Consolidated income statement<br>in '000 EUR | 31.12.2010 | 31.12.2009 | Disclosure |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Financial & operating income and expenses** | **349 013** | **270 176** | |
| Interest income | 1 712 408 | 1 299 740 | |
| — Cash & cash balances with central banks | | | |
| — Financial assets held for trading (if accounted for separately) | 962 568 | 500 812 | |
| — Financial assets designated at fair value through profit or loss (if accounted for separately) | 3 598 | 7 516 | |
| — Available-for-sale financial assets | 92 911 | 97 966 | |
| — Loans and receivables (including finance leases) | 613 465 | 632 553 | |
| — Held-to-maturity investments | | | |
| — Derivatives - Hedge accounting, interest rate risk | 39 827 | 60 859 | |
| — Other assets | 40 | 34 | |
| (Interest expenses) | 1 477 689 | 1 075 905 | |
| — Deposits from central banks | | | |
| — Financial liabilities held for trading (if accounted for separately) | 964 174 | 508 232 | |
| — Financial liabilities designated at fair value through profit or loss (if accounted for separately) | 565 | 582 | |
| — Financial liabilities measured at amortised cost | 360 993 | 439 050 | |
| Deposits from credit institutions | 21 811 | 49 684 | |
| Deposits from non credit institutions | 254 757 | 336 310 | |
| Debt certificates | 30 939 | 32 257 | |
| Subordinated liabilities | 18 616 | 19 345 | |
| Other financial liabilities | 34 869 | 1 454 | |
| — Derivatives - Hedge accounting, interest rate risk | 151 957 | 128 041 | |
| — Other liabilities | | | |
| Expenses on share capital repayable on demand | | | |
| Dividend income | 2 792 | 2 545 | |
| — Financial assets held for trading (if accounted for separately) | | 12 | |
| — Financial assets designated at fair value through profit or loss (if accounted for separately) | 492 | 1 652 | |
| — Available-for-sale financial assets | 2 300 | 881 | |
| Fee and commission income | 40 499 | 35 966 | 6 |
| (Fee and commission expenses) | 42 226 | 55 712 | 6 |
| Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net | 17 883 | -13 672 | 7 |
| — Available-for-sale financial assets | 12 029 | -17 880 | |
| — Loans and receivables (including finance leases) | 6 736 | 4 994 | |
| — Held-to-maturity investments | | | |
| — Financial liabilities measured at amortised cost | -883 | -786 | |
| — Other | | | |
| Gains (losses) on financial assets and liabilities held for trading (net) | 11 955 | 8 892 | |
| — Equity instruments and related derivatives | -2 455 | -2 115 | |
| — Interest rate instruments and related derivatives | 39 773 | 26 887 | |
| — Foreign exchange trading | -24 429 | -16 022 | |
| — Credit risk instruments and related derivatives | -934 | 142 | |
| — Commodities and related derivatives | | | |
| — Other (including hybrid derivatives) | | | |

## Consolidated income statement

in '000 EUR

| | 31.12.2010 | 31.12.2009 | Disclosure |
|---|---|---|---|
| Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net) | 3 766 | -1 309 | 8 |
| Gains (losses) from hedge accounting | 8 985 | 14 917 | 9 |
| Exchange differences, net | 30 442 | 24 853 | |
| Gains (losses) on derecognition of assets other than held for sale, net | 28 | -34 | |
| Other operating net income | 40 168 | 29 895 | 10 |
| **Administration costs** | **294 820** | **265 731** | |
| — Personnel expenses | 128 107 | 117 900 | 11 |
| — General and administrative expenses | 166 713 | 147 831 | 12 |
| **Depreciation** | **6 557** | **4 940** | |
| — Property, Plant and Equipment | 2 396 | 1 844 | |
| — Investment Properties | | | |
| — Intangible assets (other than goodwill) | 4 161 | 3 096 | |
| **Provisions** | **-5 316** | **-8 115** | |
| **Impairment** | **66 667** | **22 099** | **19** |
| Impairment losses on financial assets not measured at fair value through profit or loss | 66 667 | 22 099 | |
| — Financial assets measured at cost (unquoted equity) | | | |
| — Available for sale financial assets | 3 882 | -16 236 | |
| — Loans and receivables (including finance leases) | 62 785 | 38 335 | |
| — Held to maturity investments | | | |
| Impairment on | | | |
| — Property, plant and equipment | | | |
| — Investment properties | | | |
| — Goodwill | | | |
| — Intangible assets (other than goodwill) | | | |
| — Investments in associates and joint ventures accounted for using the equity method | | | |
| — Other | | | |
| **Negative goodwill immediately recognised in profit or loss** | | | |
| **Share of the profit or loss of associates, [subsidiaries] and joint ventures accounted for using the equity method** | | | |
| **Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations** | | | |
| **TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | **-13 715** | **-14 479** | |
| **Tax expense (income) related to profit or loss from continuing operations** | **-26 057** | **-4 704** | **13** |
| **TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS** | **12 342** | **-9 775** | |
| **Total profit or loss after tax from discontinued operations** | | | |
| **TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST** | **12 342** | **-9 775** | |
| **Profit or loss attributable to minority interest** | | | |
| **NET PROFIT OR LOSS** | **12 342** | **-9 775** | |

## Consolidated statement of comprehensive income

| in '000 EUR | 31.12.2010 | 31.12.2009 | Disclosure |
|---|---|---|---|
| **PROFIT (LOSS) FOR THE YEAR** | 12 342 | 9 775 | |
| **Other comprehensive income** | | | |
| Tangible assets | | | |
| Intangible assets | | | |
| Hedge of net investments in foreign operations (effective portion) | | | |
| — Gains/losses from changes in fair value trough equity | | | |
| — Transferred to profit or loss | | | |
| — Other reclassifications | | | |
| Foreign currency translation | -1 241 | -120 | |
| — Translation gains/losses taken to equity | -1 241 | -120 | |
| — Transferred to profit or loss | | | |
| — Other reclassifications | | | |
| Cash flow hedges (effective portion) | -3 980 | -1 638 | (1) |
| — Valuation gains/losses taken to equity | -3 980 | -1 638 | |
| — Transferred to profit or loss | | | |
| — Transferred to initial carrying amount of hedged items | | | |
| — Other reclassifications | | | |
| Available-for-sale financial assets | -4 913 | 15 765 | (2) |
| — Valuation gains/losses taken to equity | -12 977 | 13 746 | |
| — Transferred to profit or loss | 8 064 | -2 019 | |
| — Other reclassifications | | | |
| Non-current assets and disposal groups held for sale | | | |
| — Valuation gains/losses taken to equity | | | |
| — Transferred to profit or loss | | | |
| — Other reclassifications | | | |
| Actuarial gains (losses) on defined benefit pension plans | -5 052 | -8 018 | (3) |
| Share of other comprehensive income of entities accounted for using the equity method | | | |
| Other items | | | |
| Income tax relating to components of other comprhensive income | | | |
| **TOTAL COMPRHENSIVE INCOMEFOR THE YEAR** | -2 846 | -3 786 | |
| Attributable to equity holders of the parent | -2 846 | -3 786 | |
| Attributable to minority interest | | | |
| **Changes in equity relating to prior periods** | | | |
| Restated balance | | | |
| — Attributable to equity holders of the parent | | | |
| — Attributable to minority interest | | | |
| Effects of changes in accounting policy | | | |
| — Attributable to equity holders of the parent | | | |
| — Attributable to minority interest | | | |

The table below presents the amounts before tax as well as the deferred taxes with respect to the items disclosed in the previous table (overview in thousands of EUR).

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **Cash flow hedges** | | |
| Gross | -6 030 | -2 468 |
| Tax | -2 050 | -830 |
| Net | -3 980 | -1 638 |
| **Financial assets available for sale** | | |
| Gross | -9 169 | 23 526 |
| Tax | 4 255 | 7 760 |
| Net | -4 914 | 15 766 |
| **Actuarial profits (losses) on defined benefit plans** | | |
| Gross | -7 959 | -11 824 |
| Tax | -2 907 | -3 806 |
| Net | -5 052 | -8 018 |

# CONSOLIDATED **BALANCE SHEET**

## Consolidated Balance Sheet - Assets

in '000 EUR

| | 31.12.2010 | 31.12.2009 | Disclosure |
|---|---|---|---|
| Cash and balances with central banks | 623 347 | 151 855 | 14 / 37 |
| Financial assets held for trading | 2 862 765 | 1 685 944 | 18 / 20 |
| Financial assets designated at fair value through profit or loss | 71 663 | 65 908 | 16 |
| Available-for-sale financial assets | 4 993 190 | 3 664 927 | 17 |
| Loans and receivables (including finance leases) | 22 354 881 | 20 345 209 | 15 |
| Held-to-maturity investments | | | |
| Derivatives - hedge accounting | 48 521 | 9 525 | 20 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 135 225 | 137 100 | |
| Tangible assets | 49 554 | 41 674 | |
| — Property, Plant and Equipment | 49 554 | 41 674 | 24 |
| — Investment property | | | |
| Intangible assets | 18 896 | 18 558 | |
| — Goodwill | | | |
| — Other intangible assets | 18 896 | 18 558 | 23 |
| Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill) | | | |
| Tax assets | 122 459 | 86 146 | |
| — Current tax assets | 955 | 2 034 | |
| — Deferred tax assets | 121 504 | 84 112 | |
| Other assets | 96 894 | 89 365 | 21 |
| Non-current assets and disposal groups classified as held for sale | | | |
| **TOTAL ASSETS** | 31 377 395 | 26 296 211 | |

## Consolidated Balance Sheet - Liabilities

in '000 EUR

| | 31.12.2010 | 31.12.2009 | Disclosure |
|---|---|---|---|
| Deposits from central banks | | | |
| Financial liabilities held for trading | 2 810 610 | 1 661 497 | 28 |
| Financial liabilities designated at fair value through profit or loss | 67 534 | 73 851 | 25 |
| Financial liabilities measured at amortised cost | 19 842 991 | 18 905 483 | |
| — Deposits from Credit institutions | 361 374 | 1 399 829 | 26 |
| — Deposits from Other than credit institutions | 15 749 338 | 15 465 575 | 26 |
| — Debt certificates including bonds | 1 829 785 | 971 733 | 26 |
| — Subordinated liabilities | 374 809 | 401 179 | 26 / 27 |
| — Other financial liabilities | 1 527 685 | 667 167 | |
| Financial liabilities associated with transferred assets | 7 179 356 | 4 282 580 | |
| Derivatives - hedge accounting | 386 297 | 265 939 | 20 |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | -30 604 | | |
| Provisions | 178 984 | 170 123 | 30 |
| Tax liabilities | 30 227 | 27 655 | |
| — Current tax liabilities | 27 655 | 27 655 | |
| — Deferred tax liabilities | 2 572 | | |
| Other liabilities | 61 382 | 54 623 | 29 |
| Liabilities included in disposal groups classified as held for sale | | | |
| Share capital repayable on demand (e.g. cooperative shares) | | | |
| **TOTAL LIABILITIES** | 30 526 777 | 25 441 750 | |

| **Consolidated Balance Sheet - Equity**<br>in '000 EUR | **31.12.2010** | **31.12.2009** | **Disclosure** |
|---|---|---|---|
| Share capital | **546 318** | **546 318** | |
| — Paid in capital | 546 318 | 546 318 | 35 |
| — Called up share capital | | | |
| Share premium | | | |
| Other Equity | | | |
| — Equity component of combined financial instruments | | | |
| — Other | | | |
| Revaluation reserves and other valuation differences | **-172 581** | **-157 393** | **35** |
| — Tangible assets | | | |
| — Intangible assets | | | |
| — Hedge of net investments in foreign operations (effective portion) | | | |
| — Foreign currency translation | -1 362 | -120 | |
| — Cash flow hedges (effective portion) | -16 096 | -12 116 | |
| — Available for sale financial assets | -149 337 | -144 423 | |
| — Non-current assets and disposal groups held for sale | | | |
| — Other items | -5 786 | -734 | |
| Reserves (including retained earnings) | **464 539** | **475 311** | **35** |
| <Treasury shares> | | | |
| Income from current year | **12 342** | **-9 775** | **35** |
| <Interim dividends> | | | |
| Minority interest | | | |
| — Revaluation reserves and other valuation differences | | | |
| — Other items | | | |
| **TOTAL EQUITY** | **850 618** | **854 461** | |
| **TOTAL LIABILITIES AND EQUITY** | **31 377 395** | **26 296 211** | |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## Sources of equity changes

31.12.2010 – in '000 EUR

| | Share capital | | | Other Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid in Capital | Called up share capital | Share premium | Equity component of combined financial instruments | Other equity instruments | Reserves (including retained earnings) | (Treasury shares) | Income from current year | Interim dividends | Minority interests: Other items | Total |
| Restated balance in accordance with IAS 8 | | | | | | | | | | | |
| Effects of changes in accounting policies recognised in accordance with IAS 8 | | | | | | | | | | | |
| **Opening balance (last year)** | **546 318** | | | | | **475 312** | | **-9 775** | | | **1 011 855** |
| Issuance and redemption of equity instruments | | | | | | | | | | | |
| Issuance of Ordinary Shares | | | | | | | | | | | |
| Issuance of Preference Shares | | | | | | | | | | | |
| Issuance of Warrants for Consideration | | | | | | | | | | | |
| Issuance of Options for Consideration | | | | | | | | | | | |
| Exercice of Options, Rights or Warrrants | | | | | | | | | | | |
| Expiration of Options or Warrants | | | | | | | | | | | |
| Conversion of Debt to Equity | | | | | | | | | | | |
| Capital Reduction | | | | | | | | | | | |
| Allocation of profit | | | | | | | | | | | |
| Profit (Loss) Attributable to equity Holders of Parent | | | | | | | | 12 342 | | | 12 342 |
| Issuance of Share Dividends | | | | | | | | | | | |
| Issuance of Non-Cash Dividends | | | | | | | | | | | |
| Issuance of Bonus Shares | | | | | | | | | | | |
| Cash Dividends Declared | | | | | | | | | | | |
| Interim Dividends | | | | | | | | | | | |
| Released to Retained Earnings | | | | | | | | | | | |
| Trading with Treasury Shares | | | | | | | | | | | |
| Purchase of Treasury Shares | | | | | | | | | | | |
| Sale of Treasury Shares | | | | | | | | | | | |
| Transfers of Treasury Shares | | | | | | | | | | | |
| Cancellation of Treasury Shares | | | | | | | | | | | |
| Reclasifications | | | | | | | | | | | |
| Reclassification of Financial Instruments from Equity to Liability | | | | | | | | | | | |
| Reclassification of Financial Instruments from Liability to Equity | | | | | | | | | | | |
| Transfers (to) from Retained Earnings | | | | | | | | | | | |
| Transfers from Share Premium | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| Equity Increase (Decrease) Resulting from Business Combination | | | | | | | | | | | |
| Other Increase (Decrease) in Equity | | | | | | -10 773 | | 9 775 | | | -998 |
| **Closing balance (current year)** | **546 318** | | | | | **464 539** | | **12 342** | | | **1 023 199** |

## Sources of equity changes

31.12.2009 – in '000 EUR

| | Share capital | | | Other Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid in Capital | Called up share capital | Share pre-mium | Equity component of combined financial instruments | Other equity instruments | Reserves (including retained earnings) | (Treasury shares) | Income from current year | Interim divi-dends | Minority interests: Other items | Total |
| Restated balance in accordance with IAS 8 | | | | | | | | | | | |
| Effects of changes in accounting policies recognised in accordance with IAS 8 | | | | | | | | | | | |
| **Opening balance (last year)** | **531 250** | | | | | **461 429** | | **-6 475** | | | **986 204** |
| Issuance and redemption of equity instruments | | | | | | | | | | | |
| Issuance of Ordinary Shares | | | | | | | | | | | |
| Issuance of Preference Shares | | | | | | | | | | | |
| Issuance of Warrants for Consideration | | | | | | | | | | | |
| Issuance of Options for Consideration | | | | | | | | | | | |
| Exercice of Options, Rights or Warrrants | | | | | | | | | | | |
| Expiration of Options or Warrants | | | | | | | | | | | |
| Conversion of Debt to Equity | | | | | | | | | | | |
| Capital Reduction | | | | | | | | | | | |
| Allocation of profit | | | | | | | | | | | |
| Profit (Loss) Attributable to equity Holders of Parent | | | | | | | | -9 775 | | | -9 775 |
| Issuance of Share Dividends | | | | | | | | | | | |
| Issuance of Non-Cash Dividends | | | | | | | | | | | |
| Issuance of Bonus Shares | | | | | | | | | | | |
| Cash Dividends Declared | | | | | | | | | | | |
| Interim Dividends | | | | | | | | | | | |
| Released to Retained Earnings | | | | | | | | | | | |
| Trading with Treasury Shares | | | | | | | | | | | |
| Purchase of Treasury Shares | | | | | | | | | | | |
| Sale of Treasury Shares | | | | | | | | | | | |
| Transfers of Treasury Shares | | | | | | | | | | | |
| Cancellation of Treasury Shares | | | | | | | | | | | |
| Reclasifications | | | | | | | | | | | |
| Reclassification of Financial Instruments from Equity to Liability | | | | | | | | | | | |
| Reclassification of Financial Instruments from Liability to Equity | | | | | | | | | | | |
| Transfers (to) from Retained Earnings | | | | | | | | | | | |
| Transfers from Share Premium | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| Equity Increase (Decrease) Resulting from Business Combination | | | | | | | | | | | |
| Other Increase (Decrease) in Equity | 15 068 | | | | | 13 883 | | 6 475 | | | 35 426 |
| **Closing balance (current year)** | **546 318** | | | | | **475 312** | | **-9 775** | | | **1 011 855** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit (loss) | 12 342 | -9 775 |
| *Adjustments to reconcile net profit or loss to net cash provided by operating activities:* | -23 190 | 16 169 |
| — (Current and deferred tax income, recognised in income statement) | | |
| — Current and deferred tax expenses, recognised in income statement | -26 057 | -4 704 |
| — Minority interests included in group profit or loss | | |
| — Unrealised foreign currency gains and losses | -30 442 | -24 853 |
| *Investing and financing* | | |
| — Depreciation | 6 557 | 4 940 |
| — Impairment | | |
| — Provisions net | -5 316 | -8 115 |
| — Unrealised fair value (gains) losses through profit or loss, i.e. for investment property, PPE, intangible assets,... | | |
| — Net gains (losses) on investments, net (i.e. HTM, associates, subsidiaries, tangible assets,...) | | |
| *Operating* | | |
| — Net unrealised gains (losses) from cash flow hedges | -3 979 | -1 637 |
| — Net unrealised gains (losses) from available-for-sale investments | -4 914 | 15 765 |
| — Other adjustments | 40 961 | 34 773 |
| **Cash flows from operating profits before changes in operating assets and liabilities** | **-10 848** | **6 394** |
| *Increase (decrease) in working capital (excl. cash & cash equivalents):* | 521 512 | 62 162 |
| *Increase (decrease) in operating assets (excl. cash & cash equivalents):* | 4 578 451 | 2 838 266 |
| — Increase (decrease) in balances with central banks | 11 416 | -163 178 |
| — Increase (decrease) in loans and receivables | 2 009 672 | 2 402 665 |
| — Increase (decrease) in available-for-sale assets | 1 328 263 | 213 424 |
| — Increase (decrease) in financial assets held for trading | 1 176 820 | 460 415 |
| — Increase (decrease) in financial assets designated at fair value through profit or loss | 5 755 | -53 571 |
| — Increase (decrease) in asset-derivatives, hedge accounting | 38 997 | -26 972 |
| — Increase (decrease) in non-current assets held for sale | | |
| — Increase (decrease) in other assets (definition balance sheet) | 7 528 | 5 483 |
| *Increase (decrease) in operating liabilities (excl. cash & cash equivalents):* | 5 099 963 | 2 900 428 |
| — Increase (decrease) in deposits from central banks | | |
| — Increase (decrease) in deposits from credit institutions | -1 038 455 | 318 411 |
| — Increase (decrease) in deposits (other than credit institutions) | 283 763 | -554 556 |
| — Increase (decrease) in debt certificates (including bonds) | 858 052 | -4 677 |
| — Increase (decrease) in financial liabilities held for trading | 1 149 112 | 717 674 |
| — Increase (decrease) in financial liabilities designated at fair value through profit or loss | -6 317 | 3 609 |
| — Increase (decrease) in liability-derivatives, hedge accounting | 89 755 | 71 544 |
| — Increase (decrease) in other financial liabilities | 3 757 295 | 2 683 876 |
| — Increase (decrease) in other liabilities (definition balance sheet) | 6 758 | -335 453 |
| **Cash flows from operating activities** | **510 664** | **68 556** |
| **Income taxes (paid) refunded** | **-3** | **-204** |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | **510 661** | **68 352** |

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| (Cash payments to acquire tangible assets) | 10 658 | 23 235 |
| Cash receipts from the sale of tangible assets | 187 | 32 |
| (Cash payments to acquire intangible assets) | 2 325 | 11 251 |
| Cash receipts from the sale of intangible assets | | |
| (Cash payments for the investment in associates, subsidiaries, joint ventures net of cash acquired) | | |
| Cash receipts from the disposal of associates, subsidiaries, joint ventures net of cash disposed | | |
| (Cash outflow to non-current assets or liabilities held for sale) | | |
| Cash inflow from the non-current assets or liabilities held for sale | | |
| (Cash payments to acquire held-to-maturity investments) | | |
| Cash receipts from the sale of held-to-maturity investments | | |
| (Other cash payments related to investing activities) | | |
| Other cash receipts related to investing activities | | |
| **Net cash flow from investing activities** | **-12 796** | **-34 454** |
| **FINANCING ACTIVITIES** | | |
| (Dividends paid) | | |
| Cash proceeds from the issuance of subordinated liabilities | 22 048 | 12 554 |
| (Cash repayments of subordinated liabilities) | 48 417 | 45 774 |
| (Cash payments to redeem shares or other equity instruments | | |
| Cash proceeds from issuing shares or other equity instruments | | 15 068 |
| (Cash payments to acquire treasury shares) | | |
| Cash proceeds from the sale of treasury shares | | |
| Other cash proceeds related to financing activities | | |
| (Other cash payments related to financing activities) | | |
| **Net cash flow from financing activities** | **-26 369** | **-18 152** |
| Effect of exchange rate changes on cash and cash equivalents | | |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **471 496** | **15 746** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | **151 851** | **136 107** |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **623 347** | **151 853** |
| *Components of cash and cash equivalents* | | |
| — On hand (cash) | 590 212 | 130 135 |
| — Cash and balances with central banks | 33 135 | 21 718 |
| — Loans and receivables | | |
| — Held-to-maturity investments | | |
| — Available-for-sale assets | | |
| — Financial assets held for trading | | |
| — Financial assets designated at fair value through profit or loss | | |
| — Other short term, highly liquid investments | | |
| — (Bank overdrafts which are repayable on demand, if integral part of cash management) | | |
| **Total cash and cash equivalents at end of the period** | **623 347** | **151 853** |

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Of which: amount of cash and cash equivalents held by the enterprise, but not available for use by the group | | |
| Undrawn borrowing facilities (with breakdown if material) | | |
| *Supplemental disclosures of operating cash flow information* | | |
| — Interest income received | 1 760 787 | 1 562 282 |
| — Dividend income received | 2 300 | 893 |
| — Interest expense paid | -1 433 078 | -1 281 150 |
| *Supplemental disclosures of acquisitions/disposals of subsidiaries* | | |
| — Total purchase or disposal consideration | | |
| — Portion of purchase or disposal consideration discharged by means of cash or cash equivalents | | |
| — Amount of cash and cash equivalents in the subsidiaries acquired or disposed | | |
| — Amount of assets and liabilities other than cash or cash equivalents in the subsidiaries acquired or disposed of | | |
| *Non-cash financing and investing activities* | | |
| — Acquisition of assets by assuming directly related liabilities or by means of a finance lease | | |
| — Acquisition of an enterprise by means of an equity issue | | |
| — Conversion of debt to equity | | |

## CASH FLOW FROM OPERATING ACTIVITIES

The net incoming cash flow of EUR 511 million is due to:

- The increase in operating liabilities for an amount of EUR 5 100 million primarily cosists of an increase of other financial liabilities by EUR 3 757 million (of which EUR 2 897 million is related to repo operations and EUR 595 million to cash collateral) and an increase of the financial obligations maintained for trading objectives by EUR 1 149 million. The debts represented by the debt certificates including bonds have also increased (by EUR 858 million). This is off set by deposits from credit institutions that have decreased by EUR 1 038 million;
- This is offset by an increase in operating assets of EUR 4 578 million marked by an increase of loans and receivables for an amount of EUR 2 010 million made up as follows: loan portfolio (EUR 955 million), reverse repo activities (EUR 159 million), current accounts and short-term accounts (EUR 251 million), cash collateral (EUR 645 million). The available for sale assets have increased by EUR 1 328 million and the financial assets maintained for operating objectives have increased by EUR 1 177 million. There is, furthermore, an increase in the current accounts at the central banks of EUR 11 million.

## CASH FLOW FROM INVESTING ACTIVITIES

We recognise a negative cash flow for an amount of EUR 12.8 million due to the purchase of tangible assets (EUR 10.6 million) and intangible assets (EUR 2.3 million).

## CASH FLOW FROM INVESTMENTS ACTIVITIES

This concerns the continuous issue programme of subordinated debts at AXA Bank Europe (EUR 22 million) and the (early) refund of these debts (EUR 48 million).

## FUTURE CASH FLOWS

AXA Bank Europe anticipates a further increase of the credit portfolio, the financing of which is planned through the further sale of the bond portfolio and by attracting savings.

## CASH FLOWS FROM SECURITISATION

This year, a second securitisation was realised within the second compartment of Royal Street N.V. where mortgage loans were sold for EUR 1 752 399 044.23 from AXA Bank Europe to Royal Street N.V. This meant that Royal Street N.V. issued RMBS notes that were purchased by AXA Bank Europe SCF (Société de Crédit Foncière) for EUR 1 500 000 000. These RMBS notes act as security for the issue of Covered Bonds by AXA Bank Europe SCF. The first issue of these Covered Bonds amounted to EUR 1 250 000 000 in November. Currently, AXA Bank Europe holds an amount of EUR 500 000 000 in its own portfolio.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## 1 / GENERAL

AXA Bank Europe NV, with registered offices in 1170 Brussels, 25 Boulevard du Souverain, is a subsidiary of AXA Holdings Belgium NV. The latter directly owns all shares of AXA Bank Europe except one. Both belong to the AXA group with as parent company AXA NV established in France.

The legal consolidation scope of AXA Bank Europe includes AXA Bank Belgium, AXA Bank Switzerland, AXA Bank Hungary, AXA Bank Czech Republic, AXA Bank Slovak Republic, AXA Hedging Services Ltd., Royal Street NV, AXA Belgium Finance B.V, AXA Bank Europe Paris branch and AXA Bank Europe SCF.

In Belgium, AXA Bank Europe provides a broad range of financial products to individuals and small businesses and has a network of 911 exclusive independent bank agents who also support the sale of AXA Insurance and AXA Investment Managers products.

The best products of AXA Bank Europe in Belgium are I-Plus Welcome, a high-interest savings account for 6 months, short-term loans and, in particular, loans for renovations.

AXA Bank Europe is the sixth bank in Belgium where the four largest banks represent 75% of the market.

The AXA Bank Europe, Paris branch, was started in August 2010. This execution desk is an expansion of the dealing room of AXA Bank Europe in Brussels where deals will be handled for the account of its parent company, AXA Bank Europe.

The French SPV AXA Bank Europe SCF (Société de Crédit Foncier) was established on 20 September 2010 with a view to issue covered bonds for AXA Bank Europe.

## 2 / BASIS OF PREPARATION

### 2.1 / Consolidation principles

#### *2.1.1 / General*

AXA Bank Europe currently only has branches, i.e., companies over which it exercises full control. Typically, all branches must be fully consolidated.

As a departure from this principle, AXA Bank Europe has decided, on the basis of the principle of relevance and immateriality, not to include in the IFRS consolidated financial statements the subsidiaries that are out of the consolidation scope based on derogation from the CBFA. This derogation applies to branches whose total balance during the previous financial year constitutes less than 0.15% of the total balance for AXA Bank Europe, unless decided otherwise by the Board of Directors.

This implies that the subsidiaries AXA Belgium Finance BV and AXA Hedging Services Limited, the SPV Royal Street NV and the SCF AXA Bank Europe (Société de Crédit Foncier) are fully considated in the consolidated financial statements of AXA Bank Europe.

#### *2.1.2 / Intergroup entities purchase*

With regard to business combinations with other entities of the AXA Group, these entities fall under common control and, thus, these business combinations are not covered by IFRS 3. AXA Bank Europe applies, in such a case, a method under which the integrated assets and liabilities retain the same carrying amount as the purchased entity. Adjustments are only implemented to achieve harmonisation of accounting policies.

### 2.2 / Financial instruments - securities

#### *2.2.1 / Fixed income securities*

Fixed income securities are defined as negotiable securities, which generate interest revenue through coupons or interest capitalisation; mortgage certificates also fall under this definition.

The initial recognition of fixed income securities on the balance sheet takes place on the transaction date.

When fixed income securities are initially recognised they are recognised at their fair value, i.e., their purchase value (including paid accrued interests).

Upon their initial recognition, the fixed income securities, depending on the existing options and the measurement objective, are designated in one of the following categories:

(i) Assets at fair value held for trading;
(ii) Assets measured at fair value with value changes recognised in the profit-and-loss account;

(iii) Assets held to maturity;
(iv) Loans and receivables;
(v) Assets available for sale.

Typically, the fees related to the transaction must be capitalised with the purchase value for categories (iii), (iv) and (v). Due to the principle of immateriality, the AXA Bank Europe Group has decided to enter it directly in the income statement.

**(i) Assets at fair value held for trading**
Fixed income securities are classified as assets held at fair value for trading if they are:

— acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
— part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Even though IAS 39 allows for reclassifications outside of this category under strict conditions, AXA Bank Europe has not made use of this option up to now.

For the determination of net profits and net losses:

— a distinction is made between interest margin and changes in value due to changes in fair value;
— no distinction is made between realised capital gains or losses or short values and unrealised gains and losses;
— changes in value are netted.

**(ii) Assets considered as measured at fair value with changes in value recognised in the profit-and-loss account**
This classification is used at the AXA Bank Europe Group in the following three circumstances.

1) The classification leads to more relevant information since it eliminates or significantly reduces a meaurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases In most cases, this involves fixed income securities, which are covered by derivatives, but where it was not opted to apply hedge accounting.
At AXA Bank Europe it involves a bond portfolio, hedged by asset swaps. Typically these bonds would be classified as available for sale financial assets whereby the changes in value are deferred in equity.
2) The classification leads to more relevant information since a group of financial assets, i.e., specific categories of investment funds, are managed and their performance evaluated on the basis of their fair value, in accordance with a documented risk management or investment strategy.
3) If it involves structured fixed income securities, whereby no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

The indication is permitted by paragraph 11A of IAS 39.

This indication is not possible:

— if the derivative(s) embedded in a contract do not lead to a significant change in cash flows, which would otherwise be required by the contract;
— if it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

After initial recognition, no reclassifications are possible within or outside of this category.

For the determination of the net profits and net losses:

— a distinction is made between profit margin and changes in value due to changes in fair value;
— no distinction is made between achieved capital gain value and short values and evaluation gains and losses.

**(iii) Assets held to maturity**
In the (rare) circumstance where the AXA Bank Europe Group is authorised by its parent company to use this category, it involves fixed income securities with fixed or determinable payments and a fixed maturity which are quoted on an active market and which the AXA Bank Europe Group definitely intends to and is able to hold until maturity.

After initial recognition, only limited reclassifications are possible outside of this category (disappearance of active market) and subject to approval by the parent company within this category.

**(iv) Loans and receivables**
This category is used if it involves fixed income securities with fixed or determinable payments and a fixed maturity, which are not quoted on an active market and which the AXA Bank Europe Group definitely intends to hold until maturity.

After initial recognition no reclassifications are possible outside of this category. Although IAS 39 allows reclassification within this category under specific strict conditions, AXA Bank Europe has not made use of this option up to now.

**(v) Assets available for sale.**
This category is used for available-for-sale fixed income securities or for fixed income securities, which cannot be assigned to one of the above categories.

After initial recognition, only limited reclassifications are possible outside and inside this category (relation with assets held to maturity) subject to approval of the parent company within this category.

Subsequent measurement always takes place as follows:

— for categories (i) and (ii) each change between fair value and cost is recognised in the income statement, whereby the fair value is the quoted price or, if there is no quoted price, recent price-making for similar securities or a rating technique. The changes in fair value are split in the profit-and-loss account into interest yield and pure fair value changes;
— for categories (iii) as well as (iv), the assets are valued at the amortised cost, whereby the interest yield is recognised in the income statement on the basis of the effective interest rate method. In the event of objective evidence of irrecoverability, the assets are are subject to an individual of collective impairment test. The impairment amount is the difference between the outstanding carrying amount and the present value of the estimated future cash flows using the financial asset’s original effective interest rate;

— for category (v), the securities are valued at fair value, whereby the interest yield is included in the income statement on the basis of the effective interest rate method while each difference between fair value and amortised cost is deferred in equity.

For categories (i) and (ii) no impairment test is carried out.

For category (iv) (not quoted fixed income securities), the rule of loans and receivables apply, as mentioned in the relevant valuation rules for impairment.

For categories (iii) and (v) and if objective evidence shows non-recoverability, the securities are the subject of an individual impairment test.

Typically the market value in itself is not enough of an indication that impairment has occurred. AXA Bank Europe has decided to follow the rules of the parent company. The amount of the depreciation is based on the fair value, whereby the unrealised loss is based on a significant or long-term decrease in fair value of a security compared to its purchase price. This impairment loss is recognised in the income statement

The following principles are applied:

- Fixed income securities with an Investment Grade (IG) rating
  - IG with unrealised losses of more than 20% and that exist during a consecutive period of 6 months or more: they are decreased in value, unless it appears after inspection that no credit event has taken place. In this case the loss of value is attributed to, for example, a change in interest rates or other causes;
  - IG with unrealised losses up to 20%: no impairment or documentation is required, only specific monitoring.
- Fixed income securities with a Below Investment Grade (BIG) rating
  - BIG with unrealised losses (regardless of the percentage), which have existed for a period of more than 12 months: they are reduced in value, unless sufficient objective convincing evidence exists that shows that the loss of value is not related to a credit event;
  - Other BIG with unrealised losses of 20% or more and that have existed during a consecutive period of 6 months or more are revised for any special decrease in value and if necessary decreased in value, unless no credit event has taken place. In that case documentation must be created to prove that the loss of value is not attributable to a credit event.

The listed unrealised losses exclude exchange rate results, as well as any individual impairment loss accounted for.

In the event that an objective indication, such as an improvement in creditworthiness, indicates that the recoverable amount has increased, the individual impairment loss is reversed through the income statement.

If within the categories (iii), (iv) and (v) a derivative is embedded in the basic contract, which is not closely related to the economic features and risks of the basic contract, said embedded derivative must typically be separated split from the basic contract and valued separately as a derivative.

The AXA Bank Europe Group has decided in such cases to value such contracts at fair value with value changes in the income statement (see discussion of the relevant category above).

The derecognition of the fixed income securities takes place at maturity date or on the transaction date in the event of a sale. In the latter case, the difference between the received payment and the carrying amount on the transaction date (after cross-entry of potential deferred income/costs) is recognised in the income statement as a realised capital gain or loss.

### *2.2.2 / Non fixed income securities*

Non fixed income securities are defined as shares, as well as no-par value shares in investment companies (joint investment funds, money market funds, hedge funds).

Non fixed income securities are first recognised in the balance sheet on the transaction date.

They are recognised at their fair value, i.e., their purchase value.

When initially recognised, non fixed income securities, are classified in one of the following categories, depending on the existing options and the measurement objective:

(i) Assets at fair value held for trading;
(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account;
(iii) Assets available for sale.

Typically, for rating category (iii) the fees related to the transaction must be capitalised on initial recognition at purchase value. Due to the principle of immateriality the AXA Bank Europe Group decided to directly include these in the income statement.

**(i) Assets at fair value held for trading**

Non fixed income securities are classified as assets at fair value held for trading if they:

- are primarily acquired or entered into with the purpose of being sold or bought back in the short term;
- form part of identified financial instruments that are jointly managed and for which indications exist of a recent, actual pattern of short-term profit taking.

For the determination of net profits and net losses:

- a distinction is made between interest margin, received dividends and value changes due to changes in fair value;
- a distinction is made between realised capital gain and short values and rating evaluation gains and losses;
- value changes are netted.

**(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account**

This classification is used at the AXA Bank Europe Group in the following three instances.

The classification leads to more relevant information since it eliminates or significantly reduces a meaurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. In most cases it involves non fixed income securities, which are covered by derivatives, but whereby it was not decided to apply hedge accounting.

The classification leads to more relevant information because a group of financial assets, i.e., specific categories of investment funds are managed and its performance evaluated on the basis of the fair value, in accordance with a documented risk management or investment strategy.

The indication is permitted under paragraph 11A of IAS 39, involving non fixed income securities, which include one or more derivatives and:

- whereby the derivative(s) determined in a contract do not lead to a major change in cash flows, which would otherwise be required by the contract;
- whereby, after a swift or no analysis, when a similar hybrid (composed) instrument is considered for the first time, it is clear that the separation of the derivative(s) embedded in a contract is not permitted.

Following initial disclosure no reclassifications are possible within or outside this category.

For the determination of the net profits and net losses:

- a distinction is made between interest margin, received dividends and value changes due to changes in fair value;
- no distinction is made between capital gains losses and rating profits and losses.

(iii) Assets available for sale.
This category is used for non fixed interest securities being available for sale or for non fixed income securities, which could not be assigned to one of the above categories.

The subsequent rating takes place as follows:

- for categories (i) and (ii) each change between fair value and cost is recognised in the income statement, whereby the fair value represents the quoted prices or, if there is no quoted price, recent price makings for similar securities or a rating technique;
- for category (iii) the securities are valued at fair value, whereby any difference between fair value and cost is deferred in the equity.

In the case of categories (i) and (ii), no impairment test is carried out.

In the case of category (iii) and if objective evidence are available of non-recoverability, the securities are subjected to an impairment test related to an individual assessment. The impairment is based on the market value, countervalue in EUR, whereby the unrealised loss is confirmed by a significant or long-term decrease in fair value of a security compared to its cost.

Regarding this individual assessment of the major or long-term decreases in value the following rules are applied as imposed by the parent company:

- unrealised losses of 20% or more;
- unrealised losses for a consecutive period of more than 6 months.

The cumulative unrealised loss (including exchange results) is transferred from the equity and is recognised in the income statement as impairment loss.

Once an impairment on non fixed interest securities has become permanent at the end of a period, it will never be taken back; the cost is adjusted from the date of the impairment to the decreased amount (regardless of the scope of reason for the depreciation) and at the same time becomes the new cost for a potential subsequent further depreciation. Every additional depreciation is immediately entered in the profit and loss account.

If it is not possible to determine a share's fair value, it is only valued at cost. In connection to the impairment test, the rules for non fixed income securities remain in full force.

If within category (iii) derivatives are embedded in the basic contract, which are not closely related to the economic features and risks of the basic contract, this embedded derivative must typically be separated from the basic contract and valued separately as a derivative.

The AXA Bank Europe Group has decided, in such cases, to assess these contracts at fair value with value changes in the profit-and-loss account (see discussion of relevant category above).

The dividends are recognised in the income at the time the company secures the right to collect dividends.

The derecognition of the non fixed income securities takes place in the event of a sale on the transaction date. On this date the difference between the received payment and the carrying amount (after cross-entering any deferred income/expenses) is recognised in the income statement as a realised capital gain or loss.

## 2.3 / Financial instruments – Loans and receivables

### *2.3.1 / Performing loans and receivables*

The credits granted by the company to its clients are recognised at fair value in the balance sheet on the date they are made available. They are assigned to category "Loans and receivables" measured at amortised cost.

Within this category there are at this time no derivatives embedded in basic contracts, which are not closely related to the economic features and risks of the basic contract and consequently must be separated from the basic contract and valued separately as a derivative.

Should this still be the case, such contracts will be fully valued at fair value through the profit-and-loss account (see description of relevant category under fixed income securities).

Typically for the initial recognition all incremental transaction fees and received payments must be added and/or deducted from the initial fair value. Due to the principle of immateriality, as well as the commission option with the related direct internal acquisition expenses within IAS 18, AXA Bank Europe has decided not to deduct the charged file expenses on first recognition and therefore directly recognise them in the profit-and-loss account.

The acquisition commissions, however, will be capitalised (added to the acquisition price) in credit files.

The accrued interests are recognised in the profit-and-loss account on the basis of the effective interest rate.

The effective interest rate is the rate that exactly discounts the future contractually specified cash flows until maturity to the acquisition value, taken into account the above capitalised acquisition expenses.

The aforementioned acquisition expenses are therefore amortised within the interest income over the contractual term.

The amortisation of the credits takes place on the expiry date or earlier in the event of a full or partial early repayment. If in the latter case, there is no reinvestment in a new credit, the received reinvestment payments are booked as realised capital gains. Not yet amortised assigned acquisition expenses are in such cases outbooked in the profit-and-loss account in proportion to the amount repaid.

For the determination of the net profits and net losses:

— a distinction is made between interest margin and realised capital gains and losses;
— the results are not netted.

### *2.3.2 / Non performing loans and receivables*

From the time there is an objective indication of non-recoverability, the credit claim is subject to an impairment test.

AXA Bank Europe makes use of a separate provision account, which reflects the impairment special depreciation, undergone by the underlying financial asset as a result of credit losses. This provision account also takes into account the impact of the time value.

Negative differences between the calculated recoverable amounts and the carrying amount are recognised in the profit-and-loss account as an impairment loss.

The recoverable amount takes into account the time value of the funds, whereby the expected cash flows are updated at the contract's original actual interest rate. Each decrease in provision due to the time value is recognised in the profit-and-loss account as interest yield.

Each increase due to a downswing is recognised through the addition accounts for impairment in the income statement.

Each decrease due to objective indicators that show that the recoverable amount increases as a result of an improvement in the assessed recoverable cash flows is accounted for through the write-back of impairments in the income statement account. However, it will never lead to an amortised cost, which would be higher than the amortised cost if no impairment depreciation had taken place.

After impairment was booked the interest yield is recognised in the profit-and-loss account on the basis of the actual interest of the underlying contracts.

The provisions are directly booked against the receivables if there is no possibility of recovery.

Credits that are the subject of renegotiated terms do not exist in Belgium.

The following rules apply to **housing credits, investment credits and commercial accounts (including cash credits)**:

The company combines collective and individual assessment.

The individual assessment is applied in two cases:

1. As soon as the uncertain trend status is determined, the imapairment loss is booked on the basis of observed data from the past. This impairment loss is calculated individually on a statistical basis, taking into account the observed losses from the past and the probability of a return to the normal trend status or the transition to a questionable and uncollectable status.
2. From the uncollectable and questionable status the file is individually monitored and impairment is booked taking into account the development of the file and in particular the guarantees. These files are still valued on an individual basis, even if the guarantees are adequate. Each impairment is booked individually per file.

The normal trend portfolio is valued on a collective basis using latent indicators (the "losses incurred but not yet reported" model) and the company's expertise.

The following rules apply to **instalment loans**:

The company combines collective and individual assessment.

Individual assessment is applied in two cases:

1. As soon as the uncertain trend status is determined, impairment is booked on the basis of observation data from the past. This impairment is calculated individually on the basis of statistics, which take into account the probability of a return to the normal trend status or a transition to the questionable and uncollectable status, as well as on the basis of the aforementioned model and the company's experience.
2. From the questionable and uncollectable status an individual assessment is applied, which still takes into account the aforementioned statistical approach.

The files are monitored individually and any remaining outstanding claims against the client are recognised as losses after final examination.

The normal trend portfolio is valued on a collective basis using latent indicators (see above model) and the company's expertise.

For **private current accounts and the budget + accounts** the following rules apply:

The company combines collective and individual assessment.

The individual rating is applied in two cases.

1. In the uncertain trend status impairment is booked on the basis of observation data from the past. This impairment is calculated individually based on statistics, taking into account the observed losses from the past and the likelihood of a return to a normal trend status of a transition to the questionable and uncollectable status.
2. From the uncollectable and questionable status the bank proceeds to an individual assessment on the basis of the history of its observations and its expertise. The depreciation is booked individually, per file.

The portfolio with the normal trend status is valued on a collective basis by means of latent indicators (see above model) and the company's expertise.

For the determination of net profits and net losses:

— a distinction is made between interest margin and realised capital gains and losses;
— results are not netted.

## 2.4 / Treasury

### *2.4.1 / Regular interbank investments and interbank deposits*

The interbank investments and interbank deposits are initially recognised in the balance sheet on the date of availability and this at fair value (i.e., the value at which the funds were provided or obtained).

The interest revenues and the interest expenses are recognised pro rata temporis in the profit-and-loss account by making use of the effective interest rate rate method.

Derecognition takes place on the expiry date.

### *2.4.2 / Structured placements and structured deposits*

Structured placements and deposits are understood to mean placements and deposits that include derivatives embedded in the contract.

If the derivatives embedded in the contract due to the close connection between the economic features and the risks do not have to be separated from the basic contract, the same rating rules apply as mentioned above for regular interbank placements and deposits.

In the other case, AXA Bank Europe Group has decided to consider them as valued at fair value, accounting for the value changes in the profit-and-loss account.

This allocation is permitted by paragraph 11A of IAS 39 involving placements and deposits containing one or more embedded derivatives, unless:

— the derivatives embedded in a contract do not lead to a significant change in cash flow, which would otherwise be required by the contract;
— it is clear, after a swift or no analysis, if a similar hybrid (composite) instrument is considered for the first time, that the splitting of the derivative(s) embedded in a contract is not permitted, such as an early redemption option embedded in a loan allowing the holder to redeem the loan early for approximately its amortised cost.

Such placements and deposits are initially recognised at fair value in the balance sheet on the date they become available.

Subsequently the changes in fair value are recognised in the profit-and-loss account, but split into interest rate margin and a pure difference compared to the fair value. Changes in fair value take into account the effect of the change on the issuer's creditworthiness (AXA Bank Europe for securities).

Typically day one gains or losses are to be deferred if the fair value was established on the basis of non-observable prices. This gain or loss must be written off over the term of the underlying instrument or until such time that observable prices are available. If material, day one gains and losses are deferred. This adjustment will then be written off over the life of the underlying instrument or until the observable prices become available.

Amortisation takes place on the due date or on the date of availability in the event of early repayment. In the latter situation the difference between the received/paid commission and the carrying amount is recognised in the profit-and-loss account as a realised capital gains or loss.

### *2.4.3 / Derivatives*

#### 2.4.3.1 / Embedded derivatives

Derivatives embedded in basic contracts, which are valued at fair value and whereby the fair value differences are recognised in the profit-and-loss account, are not separated.

#### 2.4.3.2 / Other derivatives

All other derivatives are recognised in the balance sheet for their fair value on the conclusion date.

Changes in fair value are recognised directly in the profit-and-loss account, except for hedge accounting (see 2.4.4).

### *2.4.4 / Hedge accounting*

The following types of hedges are possible:

— Portfolio Interest Rate Fair Value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the interest risk of the underlying hedged instrument. Periodic checks are made to see whether the hedge is still efficient (prospective and retrospective testing).
During each efficient period, the fair value change relating to the hedged risk of a reference amount is booked on the underlying financial instruments. This cumulative change in fair value will be amortised. In accordance with the IFRS, Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.The decision was taken at AXA Bank Europe to start the amortisation when the hedge stops. The fair value difference of the derivatives is recognised directly in the profit-and-loss account.
During each non-efficient period no fair value change is booked on the underlying financial instruments; the fair value change of the relevant derivatives is directly recognised in the profit-and-loss account.
— Micro Fair Value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of one or more financial risks of the underlying hedged instrument. It is checked periodically whether the hedge is still efficient (prospective and retrospective testing).
During each efficient period the fair value change relating to the hedged risk is booked with the financial instrument, whereby this value change is accounted for in the profit-and-loss account; the fair value change of the relevant derivatives is recognised directly in the profit-and-loss account.
Once the hedge ceases to be efficient it is terminated and the value adjustments are written off in the event of debt instruments over the remaining term of the instrument by adjusting the actual interest.
— Cash Flow hedge is a relationship between derivatives and underlying financial instruments documented in a hedge of future cash flows of the underlying hedged instrument. It is checked periodically whether the hedge is still efficient (prospective and retrospective testing).
During each efficient period the efficient portion of the fair value change of the hedging instrument (derivative) is deferred in the equity and the non-efficient portion is recognised in the profit-and-loss account.
Once the hedge ceases to be efficient it is terminated. The deferred value changes remain deferred in the equity until the time that the expected future transaction takes place, after which it will be accounted for symmetrically with the hedged risk in the profit-and-loss account.

### *2.4.5 / Repos and reverse repos*
All repos and reverse repos satisfy the condition for being considered as financing transactions.

When entering reverse repos in the balance sheet the monies paid are booked as a placement with pledging of securities.

The rating rules are the same as those applied to regular interbank placements (see 2.4.1).

If, however, the underlying securities are sold, a liability is expressed in respect of the creditor of the collateral, which is valued at fair value.

Derecognition takes place on the due date.

When recognising repos in the balance sheet the monies received are recognised as borrowings with securities collateral.

The rating rules are those applicable to regular interbank borrowings (deposits) (see 2.4.1).

For accounting purposes, the securities used as collateral under a repo are retained in the underlying securities portfolio. No accounting transfer takes place to another line item.

Amortisation takes place on the due date.

### *2.4.6 / Securities placements and borrowings*
The borrowing of securities is not coupled with accounting registration in the balance sheet.

When the borrowed security is sold, the same rules apply as for a reverse repo (see 2.4.5).

Securities placements also are not coupled with accounting registration in the balance sheet, as the securities, which were lent remain in the underlying securities portfolio for accounting purposes. There is no accounting transfer to another line.

### *2.4.7 / General*
For the determination of net profits and net losses:

- a distinction is made between interest margin and realised capital gain and short values;
- the results are not netted.

## 2.5 / Income from fee business and financial guarantees

### *2.5.1 / Income from fee business*
A distinction is made between two types of commissions and their recognition in the income statement takes place as follows:

- commissions received for services are recognised on a pro-rated basis over the term of the services. Examples are reservation commissions for non-recognised credit line amounts, received from safe deposit boxes and management commissions;
- commissions received for the performance of a specific task are recognised at the time the task is performed. Examples are commissions for the purchase and sale of securities and money transfers.

### *2.5.2 / Provided financial guarantees*
The initial recognition of provided financial guarantees in the balance sheet takes place on the contract date. It takes place at fair value, which typically corresponds to the received commission for the provision of the financial guarantee. If the received premium does not correspond to market practices, the difference with the fair value is included directly in the income statement.

For the present, the received premium is amortised pro rata temporis over the term of the contract. This takes place on a per-contract basis.

Subsequently it is checked (on the portfolio basis) whether a provision is to be created for potential or certain execution. This provision is discounted if the impact is tangible.

Derecognition akes place or in the event of execution the provided guarantee will be booked for the guaranteed amount, which was built up through the provision.

## 2.6 / Equity
The measurement of the equity components takes place at cost.

Treasury shares are deducted from the equity at purchase price, including directly assignable incremental transaction expenses.

Dividends are deducted from the equity when they become due.

## 2.7 / Financial liabilities and bank deposits
Operational debts are recognised in the balance sheet on the date they become available. They are assigned to the “Deposits and debts” rating category and valued at amortised cost.

Deposits and deposit certificates are initially recognised in the balance sheet at fair value (i.e., the amount of the secured financing), and this on the date they become available. They are also assigned to the “Deposits and debts” category and valued at amortised cost.

In the event of structured deposits, whereby the embedded derivatives are closely related to the economic features and risks of the basic contract, they do not have to be separated.

In the event of structured deposits, whereby the embedded derivatives are not closely related to the economic features and risks of the basic contract, they do have to be separated in accordance with paragraph 11 of IAS 39.

Paragraph 11A of IAS 39 allows that in such a case the entity can decide to value the entire contract at fair value with hedge accounting in the profit-and-loss account (see 2.4.3.1).

On each balance sheet date interest accrued during the period is recognised in the income statement on the basis of the effective interest method.

The effective interest rate is the interest that exactly discounts the future contractually specified cash flows until maturity, to the purchase price, taking into account premiums, discounts and impact of step-up and step-down coupons.

The acquisition commissions related to deposit certificates are not amortised on an individual basis through the actual interest rate, but debited monthly in the form of an outstanding debt commission (which does not differ materially from the approach to the actual interest rate per individual transaction) and spread over the contractual term as interest expenses.

Deposits and deposit certificates are amortised on the expiry date or earlier in the event of early repayment. In the latter case the difference between the paid commission (deducting any penalties) and the amortised cost outstanding at the time of repayment is recognised in the profit-and-loss account as a realised capital gain or loss.

For the determination of the net profits and net losses:

— a distinction is made between interest margin and realised capital gain and loss;
— the results are not netted.

## 2.8 / Foreign currency translation

The presentation currency of the AXA Bank Europe Group is the euro. The functional currency is the euro for the head office and branches located in the eurozone. Currently, the local currency is used as the functional currency for the branches that are located outside the eurozone.

### *2.8.1 / Determination of the functional currency*

The functional currency for a branch that is located outside the eurozone is determined on the basis of the primary economic environment in which an entity operates. This is typically the primary environment in which it generates and issues funds. Hereby account is taken of the following factors:

(a) The currency: (i) which is primarily decisive in the sales price of goods and services, and (ii) of the country from which the competition and regulations primarily determine the sales price of its goods and services;
(b) The currency, which is primarily decisive in labour and material costs, and other costs for the delivery of goods and the provision of services.

### *2.8.2 / Conversion of a functional currency into a presentation currency*

The results and financial status of a foreign branch of which the functional currency is not the euro, are converted into EUR on the following basis:

(a) assets and liabilities are converted for each presented balance sheet (i.e., including comparative figures) at the closing rate on that balance sheet date;
(b) profits and losses are converted for each profit-end-loss account (i.e., including comparative figures) at an average exchange rate;
(c) all resulting currency rate differences are recognised as a separate equity component.

### *2.8.3 / Conversion of monetary components into functional currency*

Monetary components are detained currency units as well as assets and liabilities which must be received or paid in a fixed or to be determined number of currency units, primarily involving fixed income securities, loans and receivables and deposits and debts.

When recognised in the balance sheet monetary components in foreign currencies are converted into EUR at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

Each month a monetary rating process takes place on the basis of the balance, whereby the total outstanding monetary balance in foreign currency is converted at the closing rate. All positive and negative differences are recognised in the profit-and-loss account, regardless of the rating category to which the monetary components belong.

At amortisation monetary components in foreign currency are converted into EUR at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

### *2.8.4 / Conversion of non-monetary components into functional currency*

Non-monetary components are components other than monetary ones. This primarily involves non fixed income securities.

When recognised in the balance sheet, non-monetary components in foreign currency are converted into EUR at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

The periodic non-monetary rerating process differs depending on the rating category:

a) For non-monetary components valued at cost, once the conversion into EUR has taken place, this value in EUR is maintained until derecognised from the balance sheet;
b) For non-monetary components belonging to measured at fair value through P&L, the periodic revaluation to fair value consists of two components: the fair value difference and the foreign exchange results. Both components are recognised in the income statement;
c) For non-monetary components belonging to the rating category “Available-for-sale assets” the periodic revaluation to fair value consists of two components: the fair value difference and the foreign exchange results. Both components are deferred in equity. If a negative revaluation must be booked as an impairment, both components will be transferred from equity to the income statement.

On derecognition, non-monetary components in foreign currencies are converted into EUR at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

## 2.9 / Contingent assets and liabilities and provisions

### *2.9.1 / Contingent assets and liabilities*

Contingent assets are not recognised in the balance sheet; they are included in the disclosure if an inflow influx of economic benefits is probable.

Contingent liabilities are not recognised in the balance sheet; they are included in the disclosure, unless the possibility of an outflow of means including economic advantages is very unlikely.

### *2.9.2 / Provisions*

Provisions are only created if an existing liability exists as a result of an event in the past, which can be reliably assessed and of which the expense is more likely than not.

The existing liability can be legally enforceable or be an actual liability.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taken into account the risks and uncertainties and any future events; they are discounted if the impact of the time value is material.

Compensation to be received in connection with the provisions accounted for are booked as assets.

On each balance sheet date provisions are reassessed and adjusted, either to take into account the time value (developed through financial expenses), or to increase it (in the event of a shortage in provisions) or to reverse it (in the event of surplus provisions).

The provision will only be used for the expenditure for which it was created.

### 2.10 / Employee benefits

Employee benefits are accounted for in the income statement in the year in which the services were provided.

For short-term employee benefits, which are paid within one year of closing date such as salaries, social security payments, sick leave, holiday pay and bonuses, provisions are created that are not discounted.

For long-term employee benefits not including benefit plans, such as career breaks, bonuses for 25/35 years of service, bonuses or other remuneration, only paid more than one near following the closing date, the calculation of cash value of gross liabilities applies; the actuarial differences as a result of the periodic revision of valuations and assumptions are recognised directly in the profit-and-loss account.

At AXA, pension plans fall under the defined benefit plan category.

The amount recognised as a net liability on the basis of defined benefit rights consists of the net total of the following amounts:

(a) cash value of gross liability on the basis of allocated pension rights on the balance sheet date, whereby the “projected unit credit” method is used;
(b) less any not-yet-recognised pension expenses for elapsed service time;
(c) less the fair value on the balance sheet date of any fund investments from which the liabilities must be settled directly.

The aforementioned fund investments can involve both assets and insurance contracts.

Assumptions and estimates are periodically revised and adjusted. AXA Bank Europe has decided to defer actuarial differences in the equity.

Profits or losses on the major curtailment or settlement of an allocated pension regulation are recognised at the time the curtailment or settlement takes place.

Redundancy payments, including early retirement, are only recognised as soon as they have legal effect with regard to third parties. Discounting is also applied if the payment is more than one year from the balance sheet date.

### 2.11 / Income tax

#### *2.11.1 / Current taxes*

Taxes owed and refundable over the reporting period relating to current and previous periods are recognised as a liability, in as much as they have not yet been paid.

If the amount already paid, with respect to current and previous periods, is greater than the amount owed for these periods, the balance is recognised as an asset.

#### *2.11.2 / Deferred taxes*

Deferred tax debts are booked in the balance sheet for all temporarily taxable differences. They are created:

— through the income statement if the underlying temporary difference is also recognised through the income statement;
— through equity if the underlying temporary difference is also recognised through equity.

Deferred tax assets related to tax losses carried forward for transferable tax credit are only booked in the balance sheet if the temporary differences actually will be able to be settled in accordance with local tax legislation.

Other deferred tax assets are always booked in the balance sheet since it is assumed that these temporary differences will always be able to be actually recuperated.

At each closing date, the recoverability of the deferred tax asset is being assessed. If the deferred tax asset can not be recovered, impairment is accounted for. This impairment is being reassessed at each closing date and adjusted, if needed, if additional information on the recoverability is obtained.

For accounting purposes netting takes place between deferred tax assets and deferred tax liabilities only inasmuch as the nature of the tax expense and the expiry date are similar for each fiscal entity.

For presentation purposes, netting between deferred tax assets and deferred tax liabilities takes place per fiscal entity.

The outstanding balance of the deferred tax assets or deferred tax liabilities is periodically revalued to take into account the changes in tax rates and/or tax legislation of the fiscal entity.

Assets or liabilities as a result of tax on profits are not discounted.

### 2.12 / Tangible and intangible fixed assets

#### *2.12.1 / Tangible fixed assets*

There is no capitalisation of tangible fixed assets secured under an operating lease and rental expenses are accounted for on a linear basis and included in the income statement profit-and-loss account over the term of the lease.

The initial recognition of the tangible fixed asset obtained under a financial lease takes place for the lower of the fair and cash value of the minimum lease payments. Initially directly assignable expenses related to the acquisition are also capitalised. Financing expenses are recognised in the income statement on the basis of the implicit interest.

The initial recognition of tangible fixed assets acquired takes place at purchase value plus any additional attributable expense and the directly attributable transaction costs. Financing expenses during the construction period are capitalised, if material.

Subsequent measurement takes place at amortised cost, which takes into account amortisation and impairment test.

For the depreciation, account is taken of the residual value and the useful economic service life. Typically, the depreciation of buildings must take into account the "component approach". Due to the principle of immateriality on the one hand and in order to, on the other hand, also take into account the imposed accounting policies of the parent company, AXA Bank Europe has decided not to apply the splitting into components for the time being.

On each reporting date, the impairment test for buildings and land compares the cost after deduction of any depreciation accounted for with the value in use determined on the basis of an independent survey:

— if the unrealised loss is less than 15%, no impairment special depreciation is booked;
— if the unrealised loss is more than 15% the "discounted future cash flows" method is applied.

If the value based on the discounted future cash flows is lower than the carrying amount, an impairment is booked for an amount equal to the difference between:

— net carrying amount;
— highest of the independent surveys and value based on discounted future cash flows.

After an impairment loss is recognised for a building, its outstanding amortisation table is adjusted.

If subsequently, the independent survey is more than 15% higher than the net carrying amount, the impairment is reversed for an amount corresponding to the difference between:

— the net carrying amount;
— the lowest of the independent surveys and the cost after deducting the booked depreciation (calculated on the basis of the existing depreciation table for depreciations), maximum for the amount of the previously booked value correction.

Subsequently the outstanding amortisation table is adjusted.

Tangible fixed assets held for sale are valued at the lowest carrying amount (cost minus previously booked depreciations) and the fair value less costs to sell.

Such tangible fixed assets are no longer amortised and are presented separately on the balance sheet.

The linear depreciation method is used.

Depreciation booked during the financial year:

| Assets | | Depreciation percentage | |
|---|---|---|---|
| | L Method (linear) | Capital Min. – Max. | Additional expenses Min. – Max. |
| Land for own use | N/A | - | - |
| Buildings for own use | L | 3% | 100% |
| Building design | L | 10% | |
| IT equipment | L | 20% | |
| Furniture, facilities | L | 10% | |
| Non-IT machines & rolling equipment | L | 20% | |

### *2.12.2 / Intangible fixed assets*

Set-up costs are directly recognised in the income statement, unless they can be related, as transaction costs, to an asset or liability.

Purchased intangible assets, which satisfy the recognition criteria (future economic benefits and reliable measurement) and of which the useful life exceeds a year, are accounted for at purchase value, including additional expenses and directly attributable transaction costs. Software for which an annual license is paid is not capitalised.

The intangible assets are amortised on a linear basis over their economic life.

In the event of internally generated software, an intangible asset resulting from the development (or out of the development phase of an internal project) is recognised if and only if all conditions below are met:

(a) technical feasibility to complete the intangible asset, so as to make it available for use;
(b) intention to complete and use the intangible asset;
(c) capacity to use the intangible asset;
(d) how the intangible asset is likely to generate future economic benefits;
(e) availability of adequate technical, financial and other means to complete the development and use the intangible asset;
(f) capacity to reliably evaluate expenses attributable to the intangible asset during its development.

Costs that do not meet this as well as costs of research are not capitalised.

— research phase: activities aimed at obtaining new knowledge; the search for applications of research findings or other knowledge; the search for alternatives for materials, devices, products, processes, systems or services; formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services;
— development phase: the design, construction and testing of pre-production or pre-use prototypes and models; the design of tools, jigs, moulds, and dies involving new technology; design, construction and operation of a pilot plant that is not of a scale economically feasible for commercial production; the design, construction and testing of a chosen alternative for new or improved materials, devices, products, systems, processes or services.

Intangible fixed assets are subject to an impairment test.

— AXA assesses at each balance sheet date whether there is an indication of impairment. If such an indication exists, the bank will estimate the recoverable amount of the asset. This amount

is the highest of the fair value minus costs to sell or the value in use of the asset;
- If the recoverable amount of the asset is lower than the carrying amount, an impairment is booked for this differences.
- If there is an indication that an asset should be impaired, the recoverable amount of the asset will be estimated. If it is impossible to estimate the recoverable amount of the asset, an entity must determine the recoverable amount of the cash-generating unit to which the asset belongs;
- Regardless of whether there is an indication of impairment, intangible assets with indefinite useful life must be tested annually for impairment. The test takes place by comparing the carrying amount with its recoverable amount. This rule also applies to assets that are not yet used at balance sheet date.

The linear depreciation method is used, at 20% per year.

Depreciation booked during the financial year:

| **Assets** | | Depreciation percentage | |
|---|---|---|---|
| | L Method (linear) | Capital Min. – Max. | Additional expenses Min. – Max. |
| Set-up expenses entered in the profit-end-loss account in the financial year in which they were spent | N/A | - | - |
| Software for own use, purchased from third parties | L | 20% | |
| Software internally developed | L | 20% | |

## 2.13 / Other assets and liabilities

Non-operational debtors and creditors are recognised in the balance sheet on the date they become available.

Other assets are recognised at the nominal value of the claim less any impairment.

Other liabilities are recognised at the nominal value of the debt.

## 2.14 / Information to be provided

### *2.14.1 / Events after balance sheet date*

Events after the balance sheet date that show circumstances that existed on the balance sheet date (for example, additional information about already-made estimates), will require **an adjustment** to the annual accounts, if material.

Events after the balance sheet date that show circumstances that were created after the balance sheet date (for example, evolution of the dollar or the fair value of securities), will not require **an adjustment** to the balance sheet, the income statement, the changes in equity or cash flow statement. However, if material, information is provided on the nature and estimated financial impact in order to prevent the annual accounts from being misleading.

### *2.14.2 / Interim financial reporting*

There is no specific interim financial reporting; the company only publishes its figures annually.

### *2.14.3 / Changes in accounting policies and accounting estimates*

When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate in accordance with IAS 8, paragraph 35.

A change in estimate is applied prospectively. Inasmuch as a change in estimate leads to changes in assets and liabilities, or relate to a component of the equity, this change is settled in the period in which the change has taken place, by changing the carrying amount of the relevant asset, the relevant liability or the relevant component of the equity.

Any change in the accounting policy must be applied retroactively.

If it is not practically feasible to determine the period-specific consequences of a change in a financial reporting policy on comparative

# INDEX
# DESCRIPTION OF CLASSIFICATIONS IN IFRS

Assets and liabilities held for trading:
**Includes assets and liabilities with a view to short-term gains, as well as all derivatives, unless they were identified as efficient hedge derivatives; the changes in fair value are recognised in the income statement.**

Financial assets and liabilities at fair value (fair value option):
**Includes related assets and liabilities, valued at fair value, in order to prevent or limit an accounting mismatch; this rating also applies to financial instruments with embedded derivatives; the changes in fair value are recognised in the income statement.**

Financial assets held to maturity:
**All non-derived financial assets with a fixed maturity date and fixed or definable payments whereby the intention exists, as well as the financial possibility to be held until maturity; they are valued at amortised cost.**

Loans and receivables:
**All non-derived financial assets with fixed or definable payments that are not quoted in an active market; they are valued at amortised cost.**

Financial assets available for sale:
**All non-derived financial assets that do not belong to one of the other categories; they are valued at fair value whereby all fair value fluctuations are recognised in the equity until realisation of the assets or until the time that depreciation occurs. In that case the cumulative rerating results are recognised in the profit-and-loss account.**

Deposits and liabilities:
**All non-derived financial liabilities that do not belong to one of the previous categories; they are valued at amortised cost.**

information for one or more previous reporting periods, the new financial reporting policy is applied on the carrying amount of assets and liabilities from the start of the earliest period (the earliest period can be the reporting period) for which retroactive application is possible. For this period, the initial balance for each relevant component of the equity is adjusted accordingly.

If it is not practically feasible to determine the cumulative effect, at the beginning of the reporting period, of the application of a new accounting policy on all previous reporting periods, the comparative information is adjusted to apply the new financial reporting policy prospectively from the earliest time at which it is practically feasible.

In such cases additional relevant documentation is provided in the explanatory notes.

## 3 / APPLICATION OF IFRS BY AXA BANK EUROPE

### 3.1 / General

AXA Bank's consolidated annual accounts were drawn up in compliance with IFRS – including the International Accounting Standards (IAS) and Interpretations - at 31 December 2010 as accepted within the European Union.

Accounting policies that are not specifically mentioned comply with the IFRS as accepted within the European Union.

The following subsidiaries were not recognised in the consolidation circle during the financial year 2010 given their negligible significance (see more about this under item 2.1 with respect to consolidation principles):

— Mofico nv;
— Beran nv.

Further information with respect to these companies was included under item 23 Investments in associated associates, subsidiaries and joint ventures.

### 3.2 / Application dates

#### *Changes to standards and interpretations that apply as from 2010*

The changes to standards and the interpretations that apply as from 1 January 2010 do not have an important impact on the consolidated financial statements.

Changes to IFRS 1 "First-time Adoption of International. Financial Reporting Standards" do not have an impact on AXA Bank Europe because none of the entities with the group has applied the IFRS for the first time in 2010.

The following changes within the IFRS and interpretations have not had an impact either on the annual accounts of AXA Bank Europe since the bank has not been active with regard to any of the underlying activities in 2010:

— Change to IFRS 2 "Share-based payments" regarding payments made in cash and based on shares allocated by the parent company;
— Change to IAS 32 regarding "rights issue";
— IFRIC 15 "Agreements for the Construction of Real Estate";
— IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments".

The improvements to the IFRS published on 16 April 2009 comprise amendments that are not a part of a large project. They are presented in one single document instead of a series of individual changes. The improvements comprise changes in the bases for financial reporting, changes in accounting estimates as well as changes to terminology and textual material with a minimum impact on the annual accounts.

#### *Reviewed or new standards and interpretations that have not yet come into effect*

The reviewed IAS 24 "Related Party Disclosures" published on 4 November 2009 and in effect since 1 January 2011 (earlier application is permitted) simplifies the provisions with regard to information provision when there is control (or significant influence) from the government. The definition of a related party is also clarified. The changes will not have a considerable impact on the consolidated financial statements of AXA Bank Europe.

IFRS 9 "Financial Instruments" published on 12 November 2009 and in effect as from 1 January 2013 (earlier application is permitted) comprises the first of the three phases of the project to replace IAS 39. IFRS 9 will have an important impact on future consolidated financial statements of AXA Bank Europe but, because the two other phases have not yet been coverted into definitive standards, the execution decisions within the AXA Group and the analysis of the impact have not yet been completed.

## 4 / RISK MANAGEMENT

### 4.1 / Strategy

In the past years the bank evolved from a retail bank structure, in which the commercial liabilities surplus on commercial assets was invested in treasury bills, into a bank that pursues greater asset diversification. The pure treasury bills portfolio was partially substituted throughout the years by credit spread bills. These portfolios furthermore benefit from the funding facilities offered by the repo and tripartite repo market.

The expansion of the bank towards the foreign branches was included in the administration during the course of 2009. A transparent funds transfer policy and inclusion of the branches including the related expansion to other currencies for commercial objectives were included in the ALCO (Assets and Liabilities Committee that meets twice a month).

The financial derivatives are used for both the hedging of specific balance sheet risks, such as, for example, the mortgage loan portfolio, and for specific structured liability products sold to the clients. Instruments such as swaps, swaptions, caps and structured swaps are regularity used here. These hedging strategies are the subject of ALCO decisions.

Derivatives are also used, which fit into what is referred to as dynamic treasury management. These portfolios are managed and monitored in the dealing room. Their general limit framework as approved by the management committee is monitored on a daily basis by a risk management team.

The dealing room also evolved to a HUB activity linked to AXA Hedging Services. The market risk of the Variable Annuities that are sold by the AXA insurance companies must be covered by IRS and Swaptions. AXA Bank Europe is the broker between the AXA insurance companies and the other bank counterparties.

## 4.2 / Management

The management of the various risks at AXA Bank Europe is described in the general risk management charter and in the various risk charters, in which the role and responsibility of the various departments and bodies are described as is the organisation of risk management.

For example, there is an ALCO for the interest and liquidity risk and a credit committee for the counterparty risk.

These risk charters were validated by the bank's management committee.

In addition the various risks are regularly reported to various ad-hoc committees.

## 4.3 / Credit risk

AXA Bank Europe's core activities consist in the provision of savings and investment products and credits to retail, independent contractors and small enterprises (retail business). Retail activity also represents the largest portfolio in terms of the balance sheet.

The majority of the bank's credit risk results from this business. Credit risk also exists in items off the balance sheet account, such as credit lines.

Funding for the collection of savings exceeds the options for profitable reinvestment in retail activities. Hence the investment portfolio.

This investment portfolio was primarily made up of high-quality bonds such as government bonds, financial institution floating rate notes and asset backed securities with an AAA rating.

The financial crisis has mainly had 2 consequences:

- a weakening of the liquidity of bonds of financial institutions and ABS. The total liquidity of AXA Bank Europe, however, has never been at risk due to a strict liquidity management;
- downgrading of some bonds. If these bonds had excellent ratings initially, the downgrading has had a limited impact on the depreciations: AXA Bank Europe has realised depreciations for ten CDOs and financial institutions in 2008 and a few in 2009 but the rest of the ABS portfolio remained very stable with regard to quality;
- an impairment amounting to EUR 3 703 057.10 was recognised on one investment in 2010.

### *4.3.1 / Retail credit risk*

**Credit risk - Belgium**

This is understood to mean the risk of a debtor defaulting in full or in part or their position worsening, with negative consequences for the results and/or capital position.

Retail credits come in various forms of credit risk. Among this mortgage financing, with a share of approximately 80% in terms of outstanding balance, is by far the most important.

Given the good cover and low probability of default of this financing, the risk profile of the total credit portfolio is very low. For example, at the end of 20109, the dispute rate was 0.77% (0.69% at the end of 2009), the level of provision 0.35% (0.349% at the end of 2009) and the net loss EUR -9.5 million (EUR -13.6 million in 2009).

# BASEL II

**The capital that banks must retain as a buffer for unexpected losses is based on the Basel capital accord dating back to 1988. In June 2004 the final text of the new capital accord – referred to as Basel II – was presented. In September 2005 the European Parliament approved the Capital Requirement Directive, which is a translation of the Basel capital accord into European legislation. This currently forms the basis for national legislation in Member States.**

**The new capital accord aims to create more risk-sensitive capital requirements, under which banks under strict conditions, make use of internal risk appraisal systems for the calculation of the minimum capital to be retained. AXA Bank Europe has actively prepared for these updated regulations.**

**With respect to credit risk, AXA Bank Europe has submitted a request to apply the Internal Rating Based Approach to its retail portfolio. To this end AXA Bank Europe has developed internal scoring models, which exception for the calculation of the minimum capital requirements, are also deployed in the acceptance and management of credits. The credit risk of the investment portfolio with the exception of the mortgage backed securitisation positions that are being approached in accordance with IRB will follow the Standardised Approach (SA), as will the market risk. Operating risk follows the Basic Indicator Approach (BIA).**

**The credit risk is being calculated in accordance with SA for the branches. Since the Hungarian branch has retail credit activities, it will switch to IRB in the course of 2011.**

**Changes were implemented by the banking supervisor in the existing reporting system as agreed withn the "Committee of European Banking Supervisors" (CEBS) at the end of 2010.**

# PRODUCT APPROVAL PROCESS

**In order to ensure that commercial pressure does not lead to hasty analysis of the product marketing mix, a Product Approval Process was launched. This ensures that the risks resulting from the launch of a new product on the market are correctly assessed and checked.**

**In practical terms, the following points are analysed, among others: accounting and operating processing, ALM management, profitability, legal and fiscal aspects, compliance.**

**This process results in a recommendation from Risk Management.**

Retail credits are accepted on the basis of a set of acceptance standards and policy rules. The acquisition scoring models developed in the framework of Basel II play a supporting role here.

An essential component of the credit risk policy is represented by the bank debt recovery department, which takes measures to minimise the bank's risk, depending on the nature and seriousness of the problem. In addition the department determines the depreciations to be created per quarter.

**Credit risk - Hungary**

In Hungary, at the end of 2010, the level of default was 8.21% (4.37% in 2009), the level of provision was 4.67% (2.15% in 2009) and the net loss was EUR -48.8 million (EUR -18.5 million in 2009). The increase in this risk profile is the result of the financial crisis and the strengthening of the CHF with regard to the HUF (from 183 CHF/HUF in December 2009 to 222 in December 2010). An important characteristic of the Hungarian housing credit market is the credits in foreign currency. Due to this market practice, 82% (situation in December 2010) of the AXA Bank Hungary portfolio always consists of credits in Swiss Francs.

The strengthening of the CHF since 2008 has led to a reduction of the solvency of Hungarian borrowers. It also has a direct impact on the loan to value of the credits that will drop as the CHF becomes stronger.

This is the reason why an increased provision was started for credit losses in 2010.

To reduce the risk, the following precautions were taken: appointing a crisis management team, stopping FX loans (June 2010, see the impact in the graph below), hedging and temporary capping of the exchange rate for Hungarian clients.

**Economic capital**

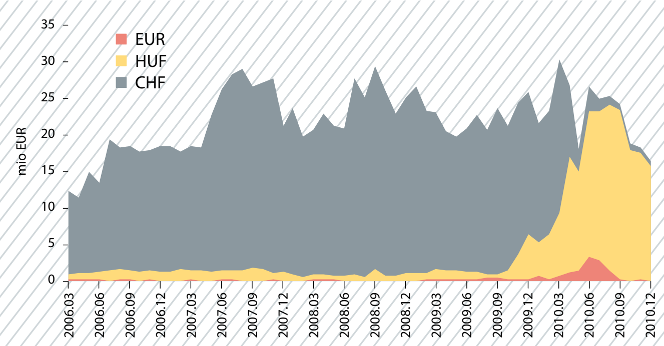
One of the most important parameters for risk management is "economic capital", which is the capital required to absorb the economic risks for all activities within a time period of one year. AXA Bank Europe uses a 99.9% confidence Level.

The current model has been in existence since 2009. A model for the Hungarian branch was developed and approved during the course of 2009.

The economic capital of credits related to retail in Belgium amounted to 11.70% of the total economic capital of the bank for correlation and that of Hungary amounted to 18.83%.

**Regulartory capital buffer for Hungary**

AXA Bank Europe also integrated an additional specific buffer of EUR 250 million in its capital requirements.




This buffer is linked to the risks, that is, mainly credit risks, of the Hungarian branch.

The buffer was imposed by the CBFA when the branch was integrated in the AXA Bank Europe figures.

It is being followed up by the CBFA and is subject to regular review.

This review is based on, for example, plans of action to reduce risks, provisioning, implementation of new risk models and scoring models.

The original buffer of EUR 410 million, for example, has already been reduced. AXA Bank Europe has requested that the CBFA review the buffer based on a full ICAAP file (that comprises all risks).

The decision related to this is expected soon and may possibly be applied retroactively to the regulatory capital of 31 December 2010.

### *4.3.2 / Credit risk of the investment portfolio*

As described in 4.1 "Strategy", the pure treasury bills portfolio was partially substituted throughout the years by credit spread paper and more structured investments.

The development of this activity was coupled with the creation of a strict Limit framework as regards credit quality and stringent Approval Process for each investment (except for treasury bills). Since July 2010, structured investments were stopped whilst awaiting the results of the analysis of the new Basel 3 legislation. Moreover, the AXA Risk Management Group has implemented a stricter limit framework with regard to investments in treasury bills due to the critical economic situation in some European countries.

## LIMIT FRAMEWORK

Treasury bills and semi-public issues:
**Only in OECD countries with a minimum rating of BBB+.**

Financial Institutions:
**Minimum AXA rating of A- and maximum amount at maturity linked to rating.**

Credit Spread Portfolio:
**High-quality Asset Backed Securities and Mortgage Backed Securities (only Senior Tranches, mostly AAA).**

## APPROVAL PROCESS

**Each investment in the Credit Spread Portfolio must be submitted and approved by the Credit Committee and this purchase must be checked by Risk Management in relation to the AXA limit framework before investing in treasury bills.**

| **Classification based on risk position category** in mio EUR | **Credit assessment** | **31.12.2010** | **Risk position 31.12.2010** | **31.12.2009** | **Risk position 31.12.2009** |
|---|---|---|---|---|---|
| Central authorities | >=<AA> | | 2 315.3 | | 1 416.9 |
| | <A> | | 56.6 | | 41.0 |
| | <A- | | 11.7 | | 109.1 |
| | **Total** | **59.03%** | **2 383.6** | **48.41%** | **1 567.0** |
| Local authorities | >=<AA> | | - | | - |
| | <A> | | - | | - |
| | **Total** | **0.00%** | **-** | **0.00%** | **-** |
| Regulatory entities | AAA | 0.00% | - | 0.42% | 13.6 |
| Financial institutions | >=<AA> | | 168.8 | | 117.7 |
| | <A> | | 130.7 | | 178.2 |
| | <BBB> | | 27.4 | | 33.4 |
| | CC (Iceland) | | - | | 0.1 |
| | **Total** | **8.10%** | **326.9** | **10.18%** | **329.4** |
| Companies | >=<AA> | | 76.6 | | 54.5 |
| | <A> | | 105.3 | | 65.9 |
| | <BBB> | | 3.9 | | - |
| | **Total** | **4.60%** | **185.8** | **3.72%** | **120.4** |
| Institutions for collective investment | **Total** | **0.00%** | **-** | **0.00%** | **-** |
| Structured products | AAA | | 747.4 | | 939.8 |
| | AA | | 241.1 | | 187.2 |
| | A | | 104.2 | | 43.6 |
| | <A- | | 45.8 | | 32.8 |
| | None | | 3.0 | | 2.9 |
| | **Total** | **28.27%** | **1 141.5** | **37.27%** | **1 206.3** |
| **TOTAL** | | **100.00%** | **4 037.8** | **100.00%** | **3 236.7** |

### *4.3.3 / Counterparty risk of dealing room activity*

The banks that are the counterparty for the dealing room as regards Treasury and Derivatives activity are selected on the basis of their external ratings by three rating agencies (Fitch, Moody's and Standard & Poor's). They must have a minimum AXA rating of A-. For all long-term derivatives a Collateral Settlement Agreement is required.

### 4.4 / Concentration risk

Geographically, the dealing room's credit risk is mostly limited to countries that are members of the OECD and EEC countries.

The activity of the dealing room is by its very nature targeted at the financial sector. Business relations with Corporate clients are very limited.

| **Country risk** in mio EUR | **31.12.2010** | **Risk position 31.12.2010** | **31.12.2009** | **Risk position 31.12.2009** |
|---|---|---|---|---|
| EU | 89.31% | 5 215.6 | 89.96% | 4 150.0 |
| New EU | 4.66% | 272.1 | 1.74% | 129.0 |
| OESO non-EEC | 5.77% | 337.2 | 8.29% | 613.0 |
| Other (KY) | 0.25% | 14.7 | 0.00% | 0.0 |
| **TOTAL** | **100.00%** | **5 839.6** | **100.00%** | **4 892.0** |

The difference between the disclosure with regard to the portfolio and the disclosure with regard to the country risk concern the products linked to "treasury and brokerage". The following are included in the products of T&B: repos and tripartite repos activities (with a risk weight of 2% and 10%, respectively), Derivatives such as IRS, swaptions, Cap and Floors, FX & Forwards FX, TBill (335 mio Belgian Tbills, 196 mio Spanish T-bills, 198 mio Italian T-bills and 198 mio Hungarian T-bills) and Corporate issues (24 mio). The minimum rating for treasury and derivative bank other parties is A-.

Overview of the balance sheet per geographical area:

*Status as at 31 December 2010*

## Consolidated Balance Sheet - Assets

31.12.2010 – in '000 EUR

| | Total carrying amount | Belgium | Other EMU | Other world |
|---|---|---|---|---|
| Cash and balances with central banks | 623 347 | 517 292 | 64 314 | 41 741 |
| Financial assets held for trading | 2 862 765 | 28 357 | 1 541 267 | 1 293 141 |
| Financial assets designated at fair value through profit or loss | 71 663 | | 48 453 | 23 210 |
| Available-for-sale financial assets | 4 993 190 | 1 595 860 | 2 791 580 | 605 750 |
| Loans and receivables (including finance leases) | 22 354 881 | 17 567 337 | 1 764 474 | 3 023 070 |
| Held-to-maturity investments | | | | |
| Derivatives - hedge accounting | 48 521 | 900 | 11 406 | 36 215 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 135 225 | 135 225 | | |
| Tangible assets | 49 554 | 48 973 | 61 | 520 |
| — Property, Plant and Equipment | 49 554 | 48 973 | 61 | 520 |
| — Investment property | | | | |
| Intangible assets | 18 896 | 8 990 | 4 182 | 5 724 |
| — Goodwill | | | | |
| — Other intangible assets | 18 896 | 8 990 | 4 182 | 5 724 |
| Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill) | | | | |
| Tax assets | 122 459 | 118 923 | 161 | 3 375 |
| — Current tax assets | 955 | 341 | 6 | 608 |
| — Deferred tax assets | 121 504 | 118 582 | 155 | 2 767 |
| Other assets | 96 894 | 91 473 | 3 452 | 1 969 |
| Non-current assets and disposal groups classified as held for sale | | | | |
| **TOTAL ASSETS** | **31 377 395** | **20 113 330** | **6 229 350** | **5 034 715** |

## Consolidated Balance Sheet - Liabilities

31.12.2010 – in '000 EUR

| | Total carrying amount | Belgium | Other EMU | Other world |
|---|---|---|---|---|
| Deposits from central banks | | | | |
| Financial liabilities held for trading | 2 810 610 | 143 209 | 1 554 798 | 1 112 603 |
| Financial liabilities designated at fair value through profit or loss | 67 534 | 1 000 | 66 534 | |
| Financial liabilities measured at amortised cost | 19 842 991 | 14 046 520 | 3 606 393 | 2 190 078 |
| — Deposits from Credit institutions | 361 374 | 102 528 | 228 393 | 30 453 |
| — Deposits from Other than credit institutions | 15 749 338 | 12 351 341 | 2 153 471 | 1 244 526 |
| — Debt certificates including bonds | 1 829 785 | 1 081 725 | 747 894 | 166 |
| — Subordinated liabilities | 374 809 | 374 168 | 393 | 248 |
| — Other financial liabilities | 1 527 685 | 136 758 | 476 242 | 914 685 |
| Financial liabilities associated with transferred assets | 7 179 356 | 156 514 | 2 294 334 | 4 728 508 |
| Derivatives - hedge accounting | 386 297 | 42 178 | 175 878 | 168 241 |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | -30 604 | | -30 604 | |
| Provisions | 178 984 | 178 476 | 7 | 501 |
| Tax liabilities | 30 227 | 27 655 | 700 | 1 872 |
| — Current tax liabilities | 27 655 | 27 655 | | |
| — Deferred tax liabilities | 2 572 | | 700 | 1 872 |
| Other liabilities | 61 382 | 43 064 | 6 606 | 11 712 |
| Liabilities included in disposal groups classified as held for sale | | | | |
| Share capital repayable on demand (e.g. cooperative shares) | | | | |
| **TOTAL LIABILITIES** | **30 526 777** | **14 638 616** | **7 674 646** | **8 213 515** |

## Consolidated Balance Sheet - Equity

31.12.2010 – in '000 EUR

| | Total carrying amount | Belgium | Other EMU | Other world |
|---|---|---|---|---|
| Share capital | 546 318 | 546 318 | | |
| — Paid in capital | 546 318 | 546 318 | | |
| — Called up share capital | | | | |
| Share premium | | | | |
| Other Equity | | | | |
| — Equity component of combined financial instruments | | | | |
| — Other | | | | |
| Revaluation reserves and other valuation differences | -172 581 | -179 569 | 6 988 | |
| — Tangible assets | | | | |
| — Intangible assets | | | | |
| — Hedge of net investments in foreign operations (effective portion) | | | | |
| — Foreign currency translation | -1 362 | -1 362 | | |
| — Cash flow hedges (effective portion) | -16 096 | -16 096 | | |
| — Available for sale financial assets | -149 337 | -156 325 | 6 988 | |
| — Non-current assets and disposal groups held for sale | | | | |
| — Other items | -5 786 | -5 786 | | |
| Reserves (including retained earnings) | 464 539 | 460 223 | -3 238 | 7 554 |
| <Treasury shares> | | | | |
| Income from current year | 12 342 | 12 342 | | |
| <Interim dividends> | | | | |
| Minority interest | | | | |
| — Revaluation reserves and other valuation differences | | | | |
| — Other items | | | | |
| **TOTAL EQUITY** | **850 618** | **839 314** | **3 750** | **7 554** |
| **TOTAL LIABILITIES AND EQUITY** | **31 377 395** | **15 477 930** | **7 678 396** | **8 221 069** |

*Status as at 31 December 2009*

## Consolidated Balance Sheet - Assets

31.12.2009 – in '000 EUR

| | Total carrying amount | Belgium | Other EMU | Other world |
|---|---|---|---|---|
| Cash and balances with central banks | 151 855 | 115 579 | 7 054 | 29 222 |
| Financial assets held for trading | 1 685 944 | 11 343 | 888 604 | 785 997 |
| Financial assets designated at fair value through profit or loss | 65 908 | | 47 082 | 18 826 |
| Available-for-sale financial assets | 3 664 927 | 604 679 | 2 382 284 | 677 964 |
| Loans and receivables (including finance leases) | 20 345 209 | 15 424 627 | 2 883 324 | 2 037 258 |
| Held-to-maturity investments | | | | |
| Derivatives - hedge accounting | 9 525 | 554 | 3 296 | 5 675 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 137 100 | 137 100 | | |
| Tangible assets | 41 674 | 40 852 | 26 | 796 |
| — Property, Plant and Equipment | 41 674 | 40 852 | 26 | 796 |
| — Investment property | | | | |
| Intangible assets | 18 558 | 12 596 | 87 | 5 875 |
| — Goodwill | | | | |
| — Other intangible assets | 18 558 | 12 596 | 87 | 5 875 |
| Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill) | | | | |
| Tax assets | 86 146 | 84 135 | 317 | 1 694 |
| — Current tax assets | 2 034 | 340 | | 1 694 |
| — Deferred tax assets | 84 112 | 83 795 | 317 | |
| Other assets | 89 365 | 84 687 | 1 605 | 3 073 |
| Non-current assets and disposal groups classified as held for sale | | | | |
| **TOTAL ASSETS** | **26 296 211** | **16 516 152** | **6 213 679** | **3 566 380** |

## Consolidated Balance Sheet - Liabilities

31.12.2009 – in '000 EUR

| | Total carrying amount | Belgium | Other EMU | Other world |
|---|---|---|---|---|
| Deposits from central banks | | | | |
| Financial liabilities held for trading | 1 661 497 | 1 012 | 879 914 | 780 571 |
| Financial liabilities designated at fair value through profit or loss | 73 851 | | 73 851 | |
| Financial liabilities measured at amortised cost | 18 905 483 | 14 454 972 | 3 077 347 | 1 373 164 |
| — Deposits from Credit institutions | 1 399 829 | 573 042 | 663 552 | 163 235 |
| — Deposits from Other than credit institutions | 15 465 575 | 12 516 925 | 2 409 339 | 539 311 |
| — Debt certificates including bonds | 971 733 | 828 108 | 1 176 | 142 449 |
| — Subordinated liabilities | 401 179 | 400 551 | 419 | 209 |
| — Other financial liabilities | 667 167 | 136 346 | 2 861 | 527 960 |
| Financial liabilities associated with transferred assets | 4 282 580 | 2 235 315 | 988 918 | 1 058 347 |
| Derivatives - hedge accounting | 265 939 | 36 887 | 72 876 | 156 176 |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | | | | |
| Provisions | 170 123 | 169 325 | 723 | 75 |
| Tax liabilities | 27 655 | 27 655 | | |
| — Current tax liabilities | 27 655 | 27 655 | | |
| — Deferred tax liabilities | | | | |
| Other liabilities | 54 622 | 44 204 | 5 346 | 5 072 |
| Liabilities included in disposal groups classified as held for sale | | | | |
| Share capital repayable on demand (e.g. cooperative shares) | | | | |
| **TOTAL LIABILITIES** | **25 441 750** | **16 969 370** | **5 098 975** | **3 373 405** |

## Consolidated Balance Sheet - Equity

31.12.2009 – in '000 EUR

| | Total carrying amount | Belgium | Other EMU | Other world |
|---|---|---|---|---|
| Share capital | 546 318 | 546 318 | | |
| — Paid in capital | 546 318 | 546 318 | | |
| — Called up share capital | | | | |
| Share premium | | | | |
| Other Equity | | | | |
| — Equity component of combined financial instruments | | | | |
| — Other | | | | |
| Revaluation reserves and other valuation differences | -157 393 | 52 337 | -173 141 | -36 589 |
| — Tangible assets | | | | |
| — Intangible assets | | | | |
| — Hedge of net investments in foreign operations (effective portion) | | | | |
| — Foreign currency translation | -120 | -120 | | |
| — Cash flow hedges (effective portion) | -12 116 | -12 116 | | |
| — Available for sale financial assets | -144 423 | 65 307 | -173 141 | -36 589 |
| — Non-current assets and disposal groups held for sale | | | | |
| — Other items | -734 | -734 | | |
| Reserves (including retained earnings) | 475 311 | 477 264 | -2 237 | 284 |
| <Treasury shares> | | | | |
| Income from current year | -9 775 | -9 775 | | |
| <Interim dividends> | | | | |
| Minority interest | | | | |
| — Revaluation reserves and other valuation differences | | | | |
| — Other items | | | | |
| **TOTAL EQUITY** | **854 461** | **1 066 144** | **-175 378** | **-36 305** |
| **TOTAL LIABILITIES AND EQUITY** | **26 296 211** | **18 035 514** | **4 923 597** | **3 337 100** |

In order to complement the risk concentration, below is a table providing the counterparty risks, expressed in thousands of EUR.

## Large exposures against counterparties 2010

| Name | Country of origin | Claims and fixed income securities | Derivatives | Guaranteed part or part for which impairments and provisions have been made | Gross total of direct + indirect risks | Total risks, i.e. after weighting: Of which outside tradingbook | Total risks, i.e. after weighting: Total |
|---|---|---|---|---|---|---|---|
| AXA GROUP | FR | 4 627 615 | 3 233 | 4 488 942 | 141 907 | 0 | 141 907 |
| Crédit Suisse | CH | 167 972 | 28 835 | 22 861 | 173 946 | 25 461 | 173 946 |
| Barclays Bank | GB | 225 130 | 108 508 | 251 332 | 82 306 | 3 103 | 82 306 |
| Dexia | BE | 200 004 | 0 | 200 004 | 0 | 0 | 0 |
| KBC | BE | 703 480 | 0 | 677 739 | 25 740 | 0 | 25 740 |
| London Clearing House | GB | 246 756 | 0 | 245 424 | 1 332 | 0 | 1 332 |
| Morgan Stanley | GB | 400 371 | 10 888 | 400 359 | 10 900 | 375 | 10 900 |

The positions are provided as net values in the above table taking into account the obtained derogation from the CBFA. This table was drawn up within the framework of the Capital Adequacy Requirements reporting and the exposures were covered through collateral.

Below you will also find the table with the specification of the counterparty risks expressed in thousands of EUR with a subdivision for the HUB activities (and the impacts for AXA Bank Europe).

## Basel II.5

31.12.2010 – in mio EUR

| Counterparty | Gross exposure(1) | Net exposure | Net exposure due to HUB activity | Net exposure due to other activities | Effective exposure (in % FP, limit = 25%) |
|---|---|---|---|---|---|
| Crédit Suisse | 174 | 174 | 3 | 171 | 14.6% |
| AXA (repos, loans & derivatives) | 4 630 | 141 | 3 | 138 | 11.8% |
| Barclays | 334 | 82 | 55 | 27 | 6.9% |
| KBC | 703 | 26 | 0 | 26 | 2.2% |
| Morgan Stanley | 411 | 11 | 11 | 0 | 0.9% |
| LCH (repos) | 247 | 1 | 0 | 1 | 0.1% |
| Dexia (repos) | 200 | 0 | 0 | 0 | 0% |

(1) Above 10% of own funds (excluding collateral received).

Included is an overview of the PIIGS exposure in December 2010 with a description of the investment types.

## ABE

31.12.2010 – in mio EUR

| Ultimate Country Issuer | Fixed Income Category | Exposure |
|---|---|---|
| Greece | Financial institutions | 6 998 865 |
| | RMBS | 15 337 004 |
| **Greece Total** | | **22 335 869** |
| Ireland | CDO | 41 587 998 |
| | Financial institutions | 12 998 754 |
| **Ireland Total** | | **54 586 753** |
| Italy | ABS | 7 216 598 |
| | Commercial MBS | 8 609 231 |
| | Corporate | 29 966 475 |
| | Financial institutions | 36 992 075 |
| | RMBS | 114 353 015 |
| | Sovereign | 151 632 661 |
| **Italy Total** | | **348 770 055** |
| Portugal | Corporate | 4 481 452 |
| | Financial institutions | 16 995 231 |
| | RMBS | 76 970 600 |
| | Sovereign | 15 260 806 |
| **Total Portugal** | | **113 708 090** |
| Spain | ABS | 24 856 977 |
| | CDO | 8 036 315 |
| | Commercial MBS | 2 410 505 |
| | Corporate | 21 385 685 |
| | Covered Bonds | 9 995 884 |
| | Financial institutions | 17 998 477 |
| | RMBS | 285 038 803 |
| **Spain Total** | | **369 722 645** |
| **GRAND TOTAL** | | **909 123 411** |

### 4.5 / Market risk

The dealing room works with a strict limit framework, approved by the management committee.

This framework is based on sensitivity analyses and Value-at-Risk, both monitored by the Risk Management Team on a daily and "intraday" basis. The new HUB activity of the dealing room is subjected to its own specific "Value-at-Risk" but this is included in the global limit framework that was approved by the management committee.

The economic capital of the market risk represents 0.59% of the bank's total economic capital before correlation.

*Status as at 31 December 2010*

**Consolidated Balance Sheet - Assets**
31.12.2010 – in '000 EUR

| | Total carrying amount | Sensitivity Interest rate risk: +100bp | Sensitivity Interest rate risk: -100bp | Sensitivity Price risk: +10% | Sensitivity Price risk: -10% |
|---|---|---|---|---|---|
| Cash and balances with central banks | 623 347 | | | | |
| Financial assets held for trading | 2 862 765 | | | | |
| Financial assets designated at fair value through profit or loss | 71 663 | -46 407 | 53 290 | | |
| Available-for-sale financial assets | 4 993 190 | -99 662 | 110 988 | 232 | -232 |
| Loans and receivables (including finance leases) | 22 354 881 | -629 953 | 632 146 | | |
| Held-to-maturity investments | | | | | |
| Derivatives - hedge accounting | 48 521 | | | | |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 135 225 | | | | |
| Tangible assets | 49 554 | | | | |
| — Property, Plant and Equipment | 49 554 | | | | |
| — Investment property | | | | | |
| Intangible assets | 18 896 | | | | |
| — Goodwill | | | | | |
| — Other intangible assets | 18 896 | | | | |
| Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill) | | | | | |
| Tax assets | 122 459 | | | | |
| — Current tax assets | 955 | | | | |
| — Deferred tax assets | 121 504 | | | | |
| Other assets | 96 894 | | | | |
| Non-current assets and disposal groups classified as held for sale | | | | | |
| **TOTAL ASSETS** | **31 377 395** | **-776 022** | **796 424** | **232** | **-232** |

## Consolidated Balance Sheet - Liabilities

31.12.2010 – in '000 EUR

| | Total carrying amount | Sensitivity Interest rate risk: +100bp | Sensitivity Interest rate risk: -100bp | Sensitivity Price risk: +10% | Sensitivity Price risk: -10% |
|---|---|---|---|---|---|
| Deposits from central banks | | | | | |
| Financial liabilities held for trading | 2 810 610 | 4 448 | -6 585 | | |
| Financial liabilities designated at fair value through profit or loss | 67 534 | -2 432 | 2 576 | | |
| Financial liabilities measured at amortised cost | 19 842 991 | -801 273 | 833 759 | | |
| — Deposits from Credit institutions | 361 374 | -2 964 | 2 895 | | |
| — Deposits from Other than credit institutions | 15 749 338 | -714 569 | 739 457 | | |
| — Debt certificates including bonds | 1 829 785 | -68 725 | 75 491 | | |
| — Subordinated liabilities | 374 809 | -15 015 | 15 916 | | |
| — Other financial liabilities | 1 527 685 | | | | |
| Financial liabilities associated with transferred assets | 7 179 356 | -3 907 | 3 405 | | |
| Derivatives - hedge accounting | 386 297 | -168 992 | 170 914 | | |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | -30 604 | | | | |
| Provisions | 178 984 | | | | |
| Tax liabilities | 30 227 | | | | |
| — Current tax liabilities | 27 655 | | | | |
| — Deferred tax liabilities | 2 572 | | | | |
| Other liabilities | 61 382 | -1 128 | 2 016 | | |
| Liabilities included in disposal groups classified as held for sale | | | | | |
| Share capital repayable on demand (e.g. cooperative shares) | | | | | |
| **TOTAL LIABILITIES** | **30 526 777** | **-973 284** | **1 006 085** | | |

### *Status as at 31 December 2009*

## Consolidated Balance Sheet - Assets

31.12.2009 – in '000 EUR

| | Total carrying amount | Sensitivity Interest rate risk: +100bp | Sensitivity Interest rate risk: -100bp | Sensitivity Price risk: +10% | Sensitivity Price risk: -10% |
|---|---|---|---|---|---|
| Cash and balances with central banks | 151 855 | | | | |
| Financial assets held for trading | 1 685 944 | | | | |
| Financial assets designated at fair value through profit or loss | 65 908 | -29 432 | 33 922 | | |
| Available-for-sale financial assets | 3 664 927 | -88 071 | 99 028 | 232 | -232 |
| Loans and receivables (including finance leases) | 20 345 209 | -565 313 | 574 813 | | |
| Held-to-maturity investments | | | | | |
| Derivatives - hedge accounting | 9 525 | | | | |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 137 100 | | | | |
| Tangible assets | 41 674 | | | | |
| — Property, Plant and Equipment | 41 674 | | | | |
| — Investment property | | | | | |
| Intangible assets | 18 558 | | | | |
| — Goodwill | | | | | |
| — Other intangible assets | 18 558 | | | | |
| Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill) | | | | | |
| Tax assets | 86 146 | | | | |
| — Current tax assets | 2 034 | | | | |
| — Deferred tax assets | 84 112 | | | | |
| Other assets | 89 365 | | | | |
| Non-current assets and disposal groups classified as held for sale | | | | | |
| **TOTAL ASSETS** | **26 296 211** | **-682 816** | **707 763** | **232** | **-232** |

| **Consolidated Balance Sheet - Liabilities** 31.12.2009 – in '000 EUR | **Total carrying amount** | **Sensitivity Interest rate risk: +100bp** | **Sensitivity Interest rate risk: -100bp** | **Sensitivity Price risk: +10%** | **Sensitivity Price risk: -10%** |
|---|---|---|---|---|---|
| Deposits from central banks | | | | | |
| Financial liabilities held for trading | 1 661 497 | -29 280 | 33 921 | | |
| Financial liabilities designated at fair value through profit or loss | 73 851 | -3 190 | 3 404 | | |
| Financial liabilities measured at amortised cost | 18 905 483 | -680 488 | 688 899 | | |
| — Deposits from Credit institutions | 1 399 829 | -2 851 | 2 163 | | |
| — Deposits from Other than credit institutions | 15 465 575 | -649 663 | 657 462 | | |
| — Debt certificates including bonds | 971 733 | -11 346 | 11 614 | | |
| — Subordinated liabilities | 401 179 | -16 628 | 17 660 | | |
| — Other financial liabilities | 667 167 | | | | |
| Financial liabilities associated with transferred assets | 4 282 580 | -4 659 | 3 661 | | |
| Derivatives - hedge accounting | 265 939 | -156 417 | 154 599 | | |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | | | | | |
| Provisions | 170 123 | | | | |
| Tax liabilities | 27 655 | | | | |
| — Current tax liabilities | 27 655 | | | | |
| — Deferred tax liabilities | | | | | |
| Other liabilities | 54 622 | -8 561 | 8 133 | | |
| Liabilities included in disposal groups classified as held for sale | | | | | |
| Share capital repayable on demand (e.g. cooperative shares) | | | | | |
| **TOTAL LIABILITIES** | **25 441 750** | **-882 595** | **892 617** | | |

The net interest rate sensitivity of the derivative portfolio is presented as a liability under the heading "derivatives – hedge accounting".

AXA Bank Europe Solvency Indicator (S.I.): expresses the sensitivity of the market value of AXA Bank Europe on an upward parallel rate shift of the yield curve with 100 basis points.

In the case of a positive gap position (longer assets than liabilities) the solvency indicator quantifies the loss of market value of AXA Bank Europe.

## 4.6 / Currency risk

### *Status as at 31 December 2010*

| **Consolidated Balance Sheet - Assets** 31.12.2010 – in '000 EUR | **Total carrying amount** | **EURO** | **USD** | **GBP** | **CHF** | **HUF** | **CZK** | **Other** |
|---|---|---|---|---|---|---|---|---|
| Cash and balances with central banks | 623 347 | 581 156 | 206 | 141 | 7 134 | 26 060 | 8 149 | 501 |
| Financial assets held for trading | 2 862 765 | 2 586 318 | 5 625 | 10 092 | 25 870 | | | 234 860 |
| Financial assets designated at fair value through profit or loss | 71 663 | 65 402 | 6 261 | | | | | |
| Available-for-sale financial assets | 4 993 190 | 4 569 316 | 98 511 | 123 942 | | 197 854 | | 3 567 |
| Loans and receivables (including finance leases) | 22 354 881 | 20 447 442 | 104 568 | 2 942 | 1 342 831 | 315 506 | 19 997 | 121 595 |
| Held-to-maturity investments | | | | | | | | |
| Derivatives - hedge accounting | 48 521 | 48 521 | | | | | | |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 135 225 | 135 225 | | | | | | |
| Tangible assets | 49 554 | 49 034 | | | | 368 | 152 | |
| — Property, Plant and Equipment | 49 554 | 49 034 | | | | 368 | 152 | |
| — Investment property | | | | | | | | |
| Intangible assets | 18 896 | 18 492 | | | 214 | 151 | 39 | |
| — Goodwill | | | | | | | | |
| — Other intangible assets | 18 896 | 18 492 | | | 214 | 151 | 39 | |
| Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill) | | | | | | | | |
| Tax assets | 122 459 | 119 084 | | | | 3 375 | | |
| — Current tax assets | 955 | 347 | | | | 608 | | |
| — Deferred tax assets | 121 504 | 118 737 | | | | 2 767 | | |
| Other assets | 96 894 | 95 157 | -38 | -12 | 690 | 1 152 | 86 | -141 |
| Non-current assets and disposal groups classified as held for sale | | | | | | | | |
| **TOTAL ASSETS** | **31 377 395** | **28 715 147** | **215 133** | **137 105** | **1 376 739** | **544 466** | **28 423** | **360 382** |

| **Consolidated Balance Sheet - Liabilities**<br>31.12.2010 – in '000 EUR | **Total carrying amount** | **EURO** | **USD** | **GBP** | **CHF** | **HUF** | **CZK** | **Other** |
|---|---|---|---|---|---|---|---|---|
| Deposits from central banks | | | | | | | | |
| Financial liabilities held for trading | 2 810 610 | 2 553 118 | 5 651 | | 22 261 | | | 229 580 |
| Financial liabilities designated at fair value through profit or loss | 67 534 | 67 534 | | | | | | |
| Financial liabilities measured at amortised cost | 19 842 991 | 17 429 837 | 295 612 | 340 471 | 875 790 | 419 811 | 442 314 | 39 156 |
| — Deposits from Credit institutions | 361 374 | 287 008 | 67 213 | 7 121 | | 32 | | |
| — Deposits from Other than credit institutions | 15 749 338 | 14 138 435 | 152 414 | 240 374 | 381 667 | 356 551 | 441 539 | 38 358 |
| — Debt certificates including bonds | 1 829 785 | 1 829 785 | | | | | | |
| — Subordinated liabilities | 374 809 | 374 809 | | | | | | |
| — Other financial liabilities | 1 527 685 | 799 800 | 75 985 | 92 976 | 494 123 | 63 228 | 775 | 798 |
| Financial liabilities associated with transferred assets | 7 179 356 | 7 179 356 | | | | | | |
| Derivatives - hedge accounting | 386 297 | 386 297 | | | | | | |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | -30 604 | -30 604 | | | | | | |
| Provisions | 178 984 | 178 483 | | | 317 | 184 | | |
| Tax liabilities | 30 227 | 30 165 | | | -131 | | 193 | |
| — Current tax liabilities | 27 655 | 27 655 | | | | | | |
| — Deferred tax liabilities | 2 572 | 2 510 | | | -131 | | 193 | |
| Other liabilities | 61 382 | 49 381 | -92 | 2 | 3 299 | 7 039 | 1 295 | 458 |
| Liabilities included in disposal groups classified as held for sale | | | | | | | | |
| Share capital repayable on demand (e.g. cooperative shares) | | | | | | | | |
| **TOTAL LIABILITIES** | **30 526 777** | **27 843 567** | **301 171** | **340 473** | **901 536** | **427 034** | **443 802** | **269 194** |

## Consolidated Balance Sheet - Equity

31.12.2010 – in ‘000 EUR

| | Total carrying amount | EURO | USD | GBP | CHF | HUF | CZK | Other |
|---|---|---|---|---|---|---|---|---|
| Share capital | 546 318 | 546 318 | | | | | | |
| — Paid in capital | 546 318 | 546 318 | | | | | | |
| — Called up share capital | | | | | | | | |
| Share premium | | | | | | | | |
| Other Equity | | | | | | | | |
| — Equity component of combined financial instruments | | | | | | | | |
| — Other | | | | | | | | |
| Revaluation reserves and other valuation differences | -172 581 | -150 529 | -5 500 | -14 738 | -1 652 | 33 | -96 | -99 |
| — Tangible assets | | | | | | | | |
| — Intangible assets | | | | | | | | |
| — Hedge of net investments in foreign operations (effective portion) | | | | | | | | |
| — Foreign currency translation | -1 361 | -23 | | | -1 096 | -146 | -96 | |
| — Cash flow hedges (effective portion) | -16 097 | -16 097 | | | | | | |
| — Available for sale financial assets | -149 337 | -129 179 | -5 500 | -14 738 | | 179 | | -99 |
| — Non-current assets and disposal groups held for sale | | | | | | | | |
| — Other items | -5 786 | -5 230 | | | -556 | | | |
| Reserves (including retained earnings) | 464 539 | 465 753 | -6 162 | -30 | -2 268 | 7 239 | | 7 |
| <Treasury shares> | | | | | | | | |
| Income from current year | 12 342 | 70 278 | | | -14 867 | -29 075 | -13 994 | |
| <Interim dividends> | | | | | | | | |
| Minority interest | | | | | | | | |
| — Revaluation reserves and other valuation differences | | | | | | | | |
| — Other items | | | | | | | | |
| **TOTAL EQUITY** | **850 618** | **931 820** | **-11 662** | **-14 768** | **-18 787** | **-21 803** | **-14 090** | **-92** |
| **TOTAL LIABILITIES AND EQUITY** | **31 377 395** | **28 775 387** | **289 509** | **325 705** | **882 749** | **405 231** | **429 712** | **269 102** |

*Status as at 31 December 2009*

| **Consolidated Balance Sheet - Assets** 31.12.2009 – in '000 EUR | **Total carrying amount** | **EURO** | **USD** | **GBP** | **CHF** | **HUF** | **CZK** | **Other** |
|---|---|---|---|---|---|---|---|---|
| Cash and balances with central banks | 151 855 | 129 539 | 317 | 125 | 4 634 | 17 153 | 41 | 46 |
| Financial assets held for trading | 1 685 944 | 1 575 110 | 6 568 | | 645 | 642 | | 102 979 |
| Financial assets designated at fair value through profit or loss | 65 908 | 62 377 | 3 531 | | | | | |
| Available-for-sale financial assets | 3 664 927 | 3 195 307 | 66 952 | 122 426 | | 276 578 | | 3 664 |
| Loans and receivables (including finance leases) | 20 345 209 | 18 041 749 | 48 190 | 43 249 | 1 897 986 | 275 152 | 18 461 | 20 422 |
| Held-to-maturity investments | | | | | | | | |
| Derivatives - hedge accounting | 9 525 | 9 525 | | | | | | |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 137 100 | 137 100 | | | | | | |
| Tangible assets | 41 674 | 40 877 | | | | 661 | 136 | |
| — Property, Plant and Equipment | 41 674 | 40 877 | | | | 661 | 136 | |
| — Investment property | | | | | | | | |
| Intangible assets | 18 558 | 17 467 | | | 257 | | 834 | |
| — Goodwill | | | | | | | | |
| — Other intangible assets | 18 558 | 17 467 | | | 257 | | 834 | |
| Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method - including goodwill) | | | | | | | | |
| Tax assets | 86 146 | 83 721 | | | | 2 425 | | |
| — Current tax assets | 2 034 | 340 | | | | 1 694 | | |
| — Deferred tax assets | 84 112 | 83 381 | | | | 731 | | |
| Other assets | 89 365 | 86 411 | | | 1 822 | 947 | 185 | |
| Non-current assets and disposal groups classified as held for sale | | | | | | | | |
| **TOTAL ASSETS** | **26 296 211** | **23 379 183** | **125 558** | **165 800** | **1 905 344** | **573 558** | **19 657** | **127 111** |

| **Consolidated Balance Sheet - Liabilities** 31.12.2009 – in '000 EUR | Total carrying amount | EURO | USD | GBP | CHF | HUF | CZK | Other |
|---|---|---|---|---|---|---|---|---|
| Deposits from central banks | | | | | | | | |
| Financial liabilities held for trading | 1 661 497 | 1 552 253 | 6 661 | | 645 | | | 101 938 |
| Financial liabilities designated at fair value through profit or loss | 73 851 | 73 851 | | | | | | |
| Financial liabilities measured at amortised cost | 18 905 482 | 16 635 314 | 140 569 | 20 804 | 465 020 | 1 578 283 | 11 490 | 54 002 |
| — Deposits from Credit institutions | 1 399 828 | 379 011 | 7 559 | 11 622 | 265 006 | 718 993 | | 17 637 |
| — Deposits from Other than credit institutions | 15 465 575 | 14 745 873 | 132 755 | 8 609 | 197 709 | 333 782 | 11 490 | 35 357 |
| — Debt certificates including bonds | 971 733 | 971 733 | | | | | | |
| — Subordinated liabilities | 401 179 | 401 179 | | | | | | |
| — Other financial liabilities | 667 167 | 137 518 | 255 | 573 | 2 305 | 525 508 | | 1 008 |
| Financial liabilities associated with transferred assets | 4 282 580 | 4 282 580 | | | | | | |
| Derivatives - hedge accounting | 265 939 | 265 939 | | | | | | |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | | | | | | | | |
| Provisions | 170 123 | 169 768 | | | 280 | 75 | | |
| Tax liabilities | 27 655 | 27 655 | | | | | | |
| — Current tax liabilities | 27 655 | 27 655 | | | | | | |
| — Deferred tax liabilities | | | | | | | | |
| Other liabilities | 54 623 | 46 555 | 478 | 2 | 1 651 | 4 759 | 1 178 | |
| Liabilities included in disposal groups classified as held for sale | | | | | | | | |
| Share capital repayable on demand (e.g. cooperative shares) | | | | | | | | |
| **TOTAL LIABILITIES** | **25 441 750** | **23 053 915** | **147 708** | **20 806** | **467 596** | **1 583 117** | **12 668** | **155 940** |

| **Consolidated Balance Sheet - Equity** 31.12.2009 – in '000 EUR | **Total carrying amount** | **EURO** | **USD** | **GBP** | **CHF** | **HUF** | **CZK** | **Other** |
|---|---|---|---|---|---|---|---|---|
| Share capital | 546 318 | 546 318 | | | | | | |
| — Paid in capital | 546 318 | 546 318 | | | | | | |
| — Called up share capital | | | | | | | | |
| Share premium | | | | | | | | |
| Other Equity | | | | | | | | |
| — Equity component of combined financial instruments | | | | | | | | |
| — Other | | | | | | | | |
| Revaluation reserves and other valuation differences | -157 393 | -128 559 | -5 011 | -22 448 | -812 | -299 | | -264 |
| — Tangible assets | | | | | | | | |
| — Intangible assets | | | | | | | | |
| — Hedge of net investments in foreign operations (effective portion) | | | | | | | | |
| — Foreign currency translation | -120 | 81 | | | -193 | -8 | | |
| — Cash flow hedges (effective portion) | -12 116 | -12 116 | | | | | | |
| — Available for sale financial assets | -144 423 | -116 409 | -5 011 | -22 448 | | -291 | | -264 |
| — Non-current assets and disposal groups held for sale | | | | | | | | |
| — Other items | -734 | -115 | | | -619 | | | |
| Reserves (including retained earnings) | 475 312 | 480 851 | -6 162 | -30 | -2 586 | 3 232 | | 7 |
| <Treasury shares> | | | | | | | | |
| Income from current year | -9 775 | 4 358 | | | -10 934 | -211 | -2 988 | |
| <Interim dividends> | | | | | | | | |
| Minority interest | | | | | | | | |
| — Revaluation reserves and other valuation differences | | | | | | | | |
| — Other items | | | | | | | | |
| **TOTAL EQUITY** | **854 461** | **902 967** | **-11 173** | **-22 478** | **-14 332** | **2 722** | **-2 988** | **-257** |
| **TOTAL LIABILITIES AND EQUITY** | **26 296 211** | **23 956 882** | **136 535** | **-1 672** | **453 264** | **1 585 839** | **9 680** | **155 683** |

## 4.7 / Cash flow and Fair Value Interest Rate risk

### *Description*

Cash flow interest risks and fair value interest risks occur with interest fluctuations on the financial markets. Interest rate risk is the sensitivity of the bank to adverse movements in interest rates. Accepting and managing this risk belongs to a bank's normal management activities. Interest rate risk comes in many forms such as repricing risk, yield curve risk, base risk and optionality. It impacts the bank's income as well as its value.

On the asset side we note the following main headings for AXA Bank Europe:

- Mortgage loans, including the securitised portfolio, for approximately EUR 12.3 billion to be split into 38% fixed, 62% variable formulas;
- Other forms of credit are of the personal loan and investment credit type;
- The bond portfolio with fixed interest for EUR 1.2 billion covers the entire yield curve and can be split into the following buckets:
  - 53% less than 3 years;
  - 23% 3 to 7 years;
  - 24% more than 7 years.
- The credit spread portfolio for EUR 1.7 billion is of the variable interest type and is therefore short-funded.

On the liabilities side we note the following main balance sheet items:

- Savings account for EUR 10.5 billion with a modelised duration approach of approximately 1 year;
- The savings certificate/forward account portfolio with fixed interest and retail clients totalled approximately EUR 2.1 billion by December 2010;
- Treasury funding (including institutional clients) totalled EUR 10.5 billion by end December 2010;
- Derivatives such as swaps, futures and swaptions were used primarily to reduce the interest rate risk profile outlined above.

# MEASURING INSTRUMENTS

### Static analysis

Gap Analysis

Gaps express a difference between assets and liabilities that are repriced or expire.
Off-balance sheet products are considered as the combination of an investment and a loan.

Sensitivity analysis

Measures the impact of unfavourable interest movements on the bank's economy value. This analysis is based on the duration analysis.

Value-at-Risk (V@R)

Integrates the probability of interest movements into the sensitivity analysis.
The applied probability is 99.9%.

### Dynamic analysis – scenarios

The dynamic analysis integrates expected future production figures into the analysis, verifying how the interest risk position will be impacted in the future.

### Solvency indicator

In order to quantify cash flow interest risks and fair value interest risks, AXA Bank Europe developed an indicator referred to as "solvency indicator" within the group. This indicator calculates a sensitivity of the market value of the cash flows for interest fluctuations in the financial markets. The methodological development of the indicator is based on market value, convexity and duration of each balance sheet line. This indicator express is an absolute terms the impact of an adverse interest movement of 1% on the bank's economic value.

In relative terms this impact is related to the bank's equity (tier 1 and tier 2). This relative indicator is a major control instrument for the ALCO for the bank's interest rate risk management.

| Solvency indicator<br>in mio EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Absolute | 384.0 | 312.4 |
| Relative | 30.00% | 23.84% |

| Total positions (all currencies)<br>31.12.2010 – in mio EUR | Amount | Solvency Indicator |
|---|---|---|
| **Commercial banks** | | **-324.1** |
| Belgium | | -330.9 |
| — Assets | 13 020.0 | -620.1 |
| — Liabilities | -13 406.4 | 154.6 |
| — Off Balance | 5 989.5 | 134.6 |
| Hungary | | -0.2 |
| — Assets | 1 571.6 | -1.3 |
| — Liabilities | -905.0 | 1.1 |
| Switzerland | | 3.2 |
| — Liabilities | -380.8 | 3.2 |
| Czech Republic | | 3.8 |
| — Assets | 0.0 | 0.0 |
| — Liabilities | -441.7 | 3.8 |
| **Investment bank** | | **-55.0** |
| — Assets | 4 045.7 | -142.4 |
| — Liabilities | 0.0 | 0.0 |
| — Off Balance | -1 957.1 | 87.4 |
| **Treasury bank** | | **-3.5** |
| — Assets | 7 677.5 | -12.1 |
| — Liabilities | -10 155.8 | 6.9 |
| — Off Balance | 33.4 | 1.8 |
| **AXA Hedging Services** | | **-6.2** |
| — Swaps | 33 194.7 | -6.2 |
| — Swaptions | 2 788.4 | 0.0 |
| **SCF** | | **4.1** |
| — Liabilities: Covered Bond A | -750.0 | 61.2 |
| — Off Balance: Swap | 750.0 | -57.2 |
| **TOTAL** | | **-384.8** |

### *Integration of interest rate risks related to the branches*

Interest rate risks (including those of the branches) are managed globally at head office level. The branches send files to head office. These files are processed in the central ALM tool there. This ensures that global indicators can be calculated that allow the interest rate risks to be managed. Provisions are made for specific reporting at the biweekly ALCO.

### 4.8 / Liquidity risk

**Funding liquidity risk** is the risk that the bank will not be able to adequately satisfy both expected and unexpected current and future cash flows without compromising daily transactions or the bank's financial status.

**Market liquidity risk** is the risk that the bank is unable to easily compensate for or eliminate a position at normal market price due to insufficient market depth or a disruption in the market.

AXA Bank Europe pays considerable attention to minimising this risk. AXA Bank Europe has a profile of shorter-term funding than the outstanding assets. The required attraction of liquidities is provided within the dealing room under the supervision of risk management and the biweekly ALCO. Funding sources are extensive and interbank and institutional funding is used as well as repos and tripartite repos.

The bank's liquidity risk policy consists or will consist of the following components, among others:

- The daily liquidity position per treasurer is determined in accordance with guidelines in the Liquidity Risk Charter. The instruments and techniques that can be used are the same as those for the Interest Rate risk;
- Acutely difficult situations must be carefully prepared since there is little opportunity for analysis when they occur;
- Adequate liquidity risk policy is proactive with a longer-term vision and takes into account: Strategy A/L alterations, Back-up liquidity, Asset Securitisation Programmes.

These topics are the responsibility of the ALCO and are regularly discussed in that committee.

All solutions are closely monitored.

The risk is measured by means of various scenarios – stress tests.

| Total Bank | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Liquidity consumption | 25 873.8 | 16 115.9 |
| Liquidity resources | 30 345.5 | 15 626.6 |
| **Total BLE-I** | **85.3%** | **77.2%** |
| **Total BLE-i - no stress** | **85.3%** | **77.2%** |
| Stress 1 Liquidity surplus/(shortage) | 3 893.4 | -2 729.5 |
| Stress 1 = 10% instant withdrawal of savings + 10% incr. of last estim runoff + stress on repo capacity + 40% stress on CIFP | 86.9% | 84.4% |
| Stress 2 Liquidity surplus/(shortage) | 3 893.4 | -601.3 |
| Stress 2 = Stress 1 with 33% instant withdrawal of savings instead of 10% | 86.9% | 95.3% |

The following tables provide the term analysis for the respective assets/liabilities components.

The lack of liquidity can be completely resolved through securities eligible to the ECB or through repo operations.

Collateral Management takes place for OTC Derivatives and repos.

To mitigate the counterparty risk, AXA Bank Europe has signed legal framework contracts with counterparties, GMRA within the framework of repos and ISDA/CSA within the framework of OTC derivatives. For each counterparty/framework contract, the global exposure is examined that we have when compared to this counterparty each day. Global exposure means that the market value of all deals with this counterparty (who falls under that framework agreement) ± provide or receive collateral. Should exposure remain with regard to this counterparty, a related margin call is done so that we no longer are exposed for that day with regard to the counterparty.

*Status as at 31 December 2010*

| **Cash inflows** (not cumulative) 31.12.2010 – in '000 EUR | < 1 week | < 1 month | < 3 months | < 6 months | < 12 months | < 5 years | Other |
|---|---|---|---|---|---|---|---|
| **Scheduled cash inflows related to credit without liquid financial assets as collateral** | | | | | | | |
| Central governments | 96 923 | 100 514 | 2 | 2 | 5 | 44 | 210 |
| Credit institutions | 1 258 280 | | 340 825 | 24 821 | | 26 328 | |
| Non credit institutions (local governments, multilateral development banks, public sector entities…) | 372 | 440 | 912 | 1 325 | 2 129 | 13 756 | 28 119 |
| Private sector - other wholesale | 24 571 | | | | | | |
| Private sector - other | 26 882 | 37 297 | 101 080 | 150 552 | 297 884 | 1 821 640 | 5 590 493 |
| **Scheduled cash inflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)** | | | | | | | |
| Cash | 410 418 | 366 359 | 438 557 | 55 972 | 104 218 | 558 583 | 1 406 066 |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | 2 536 927 | 2 250 604 | 1 265 041 | 34 | 73 | 759 | 1 661 |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| **Planned and potential net cash inflows related to derivatives instruments (excl. credit derivatives)** | | | | | | | |
| Contractual foreseen cash inflows | | | | | | | |
| — Derivatives on currency | 550 847 | 406 124 | 1 071 952 | 651 988 | 106 380 | 323 | |
| — Derivatives on interest | 5 801 | 341 225 | 84 704 | 97 183 | 169 155 | | |
| — Other derivatives | | | | | | | |
| Maximum additional net cash inflows | | | | | | | |
| — Derivatives on currency | | | | | | | |
| — Derivatives on interest | | | | | | | |
| — Other derivatives | | | | | | | |
| **Scheduled cash inflows due to related parties (cf. IAS 24.9)** | | | | | | | |
| Cash | 928 161 | 1 779 822 | 1 182 287 | 681 175 | | | |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | | | | | | | |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| **Other** | **87 988** | **167 637** | **98** | **544** | **3 073** | **91 196** | **4 111 321** |

| **Cash outflows** (not cumulative) 31.12.2010 – in '000 EUR | < 1 week | < 1 month | < 3 months | < 6 months | < 12 months | < 5 years | Other |
|---|---|---|---|---|---|---|---|
| **Scheduled cash outflows related to financing without liquid financial assets as collateral** | | | | | | | |
| Deposits and customer saving certificates | | | | | | | |
| — Central governments | -101 540 | -20 000 | -1 | -30 | | -6 652 | |
| — Credit institutions | -398 104 | -6 639 | -101 083 | -112 618 | -161 406 | -3 229 | |
| — Non credit institutions (local governments, multilateral development banks, public sector entities…) | -2 288 366 | -130 911 | -153 184 | -240 741 | -12 070 | -26 173 | -36 345 |
| — Private sector - other wholesale | | | | | | | |
| — Private sector - other | | | | | | | |
| Current accounts/overnight deposits | -2 736 215 | | | | | | |
| Regulated deposits | -8 804 830 | | | | | | |
| Other deposits | -942 848 | -131 892 | -94 350 | -51 410 | -63 665 | -1 010 990 | -14 431 |
| Customer saving certificates | -13 337 | -21 603 | -32 716 | -43 966 | -105 808 | -270 119 | -89 |
| Debt certificates (issued by entity) | | -2 424 | -3 597 | -2 548 | -1 932 | -97 917 | -40 037 |
| **Scheduled cash outflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)** | | | | | | | |
| Cash | -2 536 927 | -2 250 604 | -1 265 041 | -34 | -73 | -759 | -1 661 |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | -10 418 | -366 359 | -438 557 | -55 972 | -104 218 | -558 583 | -1 406 066 |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| Contractual foreseen cash outflows | | | | | | | |
| — Derivatives on currency | -716 902 | -410 341 | -920 271 | -651 898 | -106 377 | | |
| — Derivatives on interest | -8 288 | -336 929 | -106 759 | -124 634 | -205 081 | | |
| **Scheduled cash outflows due to related parties (cf. IAS 24.9)** | | | | | | | |
| Cash | | | | | | | |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | -928 161 | -1 779 822 | -1 182 287 | -681 175 | | | |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| **Other** | **-3 814 710** | **104 989** | **100 926** | **288 845** | **469 665** | **1 406 466** | **5 397 025** |

The above table was drawn up in accordance with IFRS 7 taking into account the contractual foreseen cancellation term for financial instruments (products with indefinite contractual terms are included in the "< 1 week" column while the perpetual loans are included in the "Other" column).

*Status as at 31 December 2009*

| **Cash inflows** (not cumulative)<br>31.12.2009 – in '000 EUR | < 1 week | < 1 month | < 3 months | < 6 months | < 12 months | < 5 years | Other |
|---|---|---|---|---|---|---|---|
| **Scheduled cash inflows related to credit without liquid financial assets as collateral** | | | | | | | |
| Central governments | | | | | | | |
| Credit institutions | 571 780 | 129 315 | 82 883 | 137 332 | 20 825 | 5 000 | 899 785 |
| Non credit institutions (local governments, multilateral development banks, public sector entities...) | 357 | 716 | 985 | 1 096 | 2 389 | 14 640 | 37 977 |
| Private sector - other wholesale | | | | | | | |
| Private sector - other | 29 923 | 40 933 | 108 217 | 163 504 | 321 451 | 2 055 407 | 5 924 271 |
| **Scheduled cash inflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)** | | | | | | | |
| Cash | 9 412 | 13 142 | 35 097 | 51 878 | 106 622 | 555 046 | 2 460 140 |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | 174 | 513 | 1 655 | 2 380 | 5 115 | 55 140 | 5 232 079 |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| **Planned and potential net cash inflows related to derivatives instruments (excl. credit derivatives)** | | | | | | | |
| Contractual foreseen cash inflows | | | | | | | |
| — Derivatives on currency | | | | | | | |
| — Derivatives on interest | 1 006 | 333 407 | 61 534 | 17 796 | 32 695 | | |
| — Other derivatives | | | | | | | |
| Maximum additional net cash inflows | | | | | | | |
| — Derivatives on currency | | | | | | | |
| — Derivatives on interest | | | | | | | |
| — Other derivatives | | | | | | | |
| **Scheduled cash inflows due to related parties (cf. IAS 24.9)** | | | | | | | |
| Cash | | | | | 4 418 570 | | |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | | | | | | | |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| **Other** | **357 231** | | | | | **84 403** | **1 989 401** |

| **Cash outflows** (not cumulative)<br>31.12.2009 – in '000 EUR | < 1 week | < 1 month | < 3 months | < 6 months | < 12 months | < 5 years | Other |
|---|---|---|---|---|---|---|---|
| **Scheduled cash outflows related to financing without liquid financial assets as collateral** | | | | | | | |
| Deposits and customer saving certificates | | | | | | | |
| — Central governments | -3 642 | -28 380 | -1 | | -3 | -4 800 | |
| — Credit institutions | -1 488 283 | -313 330 | -82 857 | -56 874 | -1 848 | -2 989 | -1 286 |
| — Non credit institutions (local governments, multilateral development banks, public sector entities…) | -2 215 078 | -296 692 | -270 066 | -276 311 | -11 048 | -5 140 | -3 093 |
| — Private sector - other wholesale | | | | | | | |
| — Private sector - other | | | | | | | |
| Current accounts/overnight deposits | -2 019 342 | | | | | | |
| Regulated deposits | -9 022 584 | | | | | | |
| Other deposits | -579 982 | -263 790 | -210 946 | -95 532 | -98 754 | -443 202 | -13 228 |
| Customer saving certificates | -14 869 | -16 702 | -43 667 | -71 810 | -140 989 | -373 808 | -228 |
| Debt certificates (issued by entity) | -209 986 | -1 807 | -2 873 | -3 807 | -13 708 | -86 105 | -48 525 |
| **Scheduled cash outflows related to transactions on liquid securities and loans (e.g. repo transactions and securities lending)** | | | | | | | |
| Cash | -174 | -513 | -1 655 | -2 380 | -5 115 | -55 140 | -5 232 079 |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | -9 412 | -13 142 | -35 097 | -51 878 | -106 622 | -555 046 | -2 460 140 |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| Contractual foreseen cash outflows | | | | | | | |
| — Derivatives on interest | -2 364 | -329 225 | -68 884 | -49 710 | -92 211 | | |
| **Scheduled cash outflows due to related parties (cf. IAS 24.9)** | | | | | | | |
| Cash | | | | | | | |
| Liquid securities and loans | | | | | | | |
| — Securities and loans eligible to ECB/Eurosysteem, BoE or SNB | | | | | | | |
| — Securities and loans eligible in a repo-transaction (or other form of borrowing against collateral) | | | | | -4 418 570 | | |
| — Realisable securities through a sale transaction | | | | | | | |
| — Potential reusable received securities as collateral | | | | | | | |
| **Other** | **-2 818 972** | **-31 196** | | | **38** | **80 224** | **5 706 024** |

## 4.9 / Fair value of financial assets and liabilities

### *4.9.1 / Fair value in relation to retail activity*

**Fair value hedges**
In order to clarify the close link between fixed mortgage loans and their related hedges through payor swaps in accounting reporting, a fair value hedge model is used that was developed specially for this purpose.

**Fair value calculation**
Commercial cash flows are subjected to the swap curve for the fair value calculation. In this calculation all cash flows known today per type of balance sheet line are subjected to a commercial spread. For products without known cash flows, such as, for example, savings and current accounts, the carrying amount is taken as the market value due to their directly demandable nature. Financial products are valued at normal market principles.

The fair value of retail credits (mortgage loans/investment credits/instalment credits) is calculated in a number of steps:

- First the credits' future cash flows are calculated on the basis of their features (interest rate, frequency of repayment, etc.);
- These cash flows are subsequently adjusted in order to take into account early repayments (4% on an annual basis for housing and investment credits; 10% on an annual basis for instalment loans);
- Lastly, the (adjusted) cash flows are discounted on the basis of the IRS curve. The IRS curve Is increased by a cost spread in order to take into account expenses for the management of the credit portfolios.

### *4.9.2 / Fair value with respect to financing activities (treasury)*

The fair value of financial instruments of level 1 is determined on the basis of market prices in an active market.

If the market for a specific instrument is not active or market prices are not or not regularly available, rating techniques are used based on the updated value of future cash flows and the price determination of option models for financial instruments of level 2. These rating techniques make use of market data such as interest curves and volatility data. In some cases we make use of external prices provided by a reliable intermediary. These prices are then subject to a internal validation or we value these instruments by means of internal rating techniques.

The following components are included:

**Assets**

***Receivables from other bankers***
Receivables from other bankers include interbank investments and reverse repo transactions.

The estimated fair value is based on discounted cash flows at current market conditions.

***Loans and receivables from clients***
These loans and receivables are recognised for their net carrying amount, after depreciation. The estimated fair value of loans and receivables represents the discounted amount of the future expected cash flows. These expected cash flows are discounted in accordance with current market conditions, thus determining the fair value.

**Liabilities**

***Deposits and borrowings***
The estimated fair value of fixed-yield deposits, repo transactions and other fixed-yield borrowings without quoted market price is based on discounted cash flows at current market conditions.

***Issued debt instruments***
For issued certificates of deposit a discounted cash flow model is used based on a current yield curve applicable to the remaining term of the instrument until the expiry date.

### *Overview of assets and liabilities expressed at fair value*

Below we show an overview of the assets and liabilities of AXA Bank Europe expressed at fair value.

| **Assets / Liabilities** 31.12.2010 – in '000 EUR | Carrying amount (if different from fair value) | Recognised or disclosed fair values | Level 1 | Level 2 | Level 3 | Of which: amount recognised in P&L using a valuation technique during the period (level 3) [1] |
|---|---|---|---|---|---|---|
| Trading assets | | 2 862 765 | 33 777 | 2 828 988 | | |
| Financial assets designated at fair value through profit or loss | | 71 663 | 21 545 | 50 118 | | |
| Available-for-sale financial assets | | 4 993 190 | 3 334 803 | 1 651 862 | 6 525 | |
| Loans and receivables | 22 354 881 | 23 722 850 | | | | |
| Held-to-maturity investments | | | | | | |
| Other financial assets | | | | | | |
| Financial liabilities held for trading | | 2 810 610 | 42 745 | 2 767 865 | | |
| Financial liabilities designated at fair value through profit or loss | | 67 534 | | 67 534 | | |
| Financial liabilities at amortised cost | 19 812 387 | 19 827 737 | | | | |
| Other financial liabilities | 7 179 356 | 7 179 356 | | | | |

(1) Only applied if such valuation technique is based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

In the case of the shares, the price drop of 10% will have a negative impact of EUR 653 000 and a price rise of 10% will have a positive impact of EUR 653 000.

## Level 3 fair value of financial assets/ liabilities

31.12.2010 – in '000 EUR

| | RW Level 3 OPENING BALANCE (*) | (a) Net profits and losses included in: P&L | OCI | (b) Settlements | (c) Net transfers in and out Level 3 | RW Level 3 CLOSING BALANCE | Level 3 Total impact on W&V for 2010 |
|---|---|---|---|---|---|---|---|
| Assets available for sales (7120) | 15 620 032.99 | -1 202.40 | -474.55 | -285 555.40 | -8 807 759.99 | 6 525 040.65 | 1 830 447.70 |
| Financial assets designated at fair value through profit or loss (7110) | 2 314 001.76 | | | | -2 314 001.76 | 0.00 | 0.00 |
| Financial assets held for trading (7100) | 100 515 544.31 | | | -1 601.12 | -100 513 943.19 | 0.00 | 0.00 |
| Financial liabilities held for trading (7160) | -99 271 383.46 | | | | 99 271 383.46 | 0.00 | 0.00 |
| **TOTAL OF LEVEL 3 FINANCIAL ASSETS/ LIABILITIES** | **19 178 195.60** | **-1 202.40** | **-474.55** | **-287 156.52** | **-12 364 321.48** | **6 525 040.65** | **1 830 447.70** |

(*) The initial balance sheet also includes the changes in the application area because of the introduction of the level 1, 2 and 3 changes in relation to IFRS 7.

(a) Matches the realised and unrealised W&V and OCI during the period of financial assets/liabilities classed as level 3 at the start (including the impact due to the exchange result, interest result, impairments and debit entries as definitive losses).

(b) Settlements during the period of financial assets/liabilities classed as level 3 at the start (refund of securities).

(c) The net transfers in and out of Level 3 comprise the following movements: transfers from Level 3 to Level 2 for the full amount of EUR 12 364 321.48 due to the automation and the availability of market data.

## Assets / Liabilities

31.12.2009 – in '000 EUR

| | Carrying amount (if different from fair value) | Recognised or disclosed fair values | Level 1 | Level 2 | Level 3 | Of which: amount recognised in P&L using a valuation technique during the period(level 3) (1) |
|---|---|---|---|---|---|---|
| Financial assets held for trading | | 1 685 944 | 18 880 | 1 565 549 | 100 516 | 100 516 |
| Financial assets designated at fair value through profit or loss | | 65 908 | 21 418 | 42 176 | 2 314 | 957 |
| Available-for-sale financial investments | | 3 664 927 | 1 977 895 | 1 671 411 | 15 620 | -2 231 |
| Loans and receivables | 20 345 209 | 20 313 363 | | | | |
| Held-to-maturity investments | | | | | | |
| Other financial assets | | | | | | |
| Financial liabilities held for trading | | 1 661 498 | 13 077 | 1 549 149 | 99 271 | 99 271 |
| Financial liabilities designated at fair value through profit or loss | | 73 851 | | 73 851 | | |
| Financial liabilities at amortised cost | 18 905 484 | 18 925 238 | | | | |
| Other financial liabilities | 54 623 | 54 623 | | | | |

(1) Only applied if such valuation technique is based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

The shifts from level 1 to level 2 mainly have their origin in the degradering of the rating of Portugal while the shifts from level 2 to level 1 arise because a quote on an active market has become available.

Valuation technique based on market data:

The large majority of the positions classified under this point are valuated using mark to model prices calculated by AXA IM.

The base is always the mark to market which is corrected in order to eliminate the liquidity premium it contains.

The remaining part is priced using prices found in Bloomberg, Reuters, Markt and/or Interactive Data or communicated by counterparties after being checked in order to assess their reliability.

### *4.9.3 / Day one profits*

AXA Bank Europe has deferred a “day one profit” with regard to a CDO for an amount of EUR 388 909.47 as on 31 December 2010. This amount will be spread over the duration of the instrument.

## 4.10 / Capital management

At AXA Bank Europe, capital management goes beyond the simple management of equity. The main objectives are the following:

— Compliance with capital requirements imposed by the supervisor;
— Safeguarding of interests of shareholders, clients and foreign capital;
— Maintenance of a sound capital foundation to support the development of its activities;
— Guarantee that the available capital is sufficient to meet the bank’s capital requirements, on the basis of the underlying corporate strategy.

Regularly, AXA Bank Europe submits a “forecast” of its capital requirements to ALCO (Assets & Liabilities Committee), for the current year, the following year as well as the long term, on a corporate and consolidated basis. This measure allows the implementation of adjustments in a timely manner.

In practice, AXA Bank Europe is also affected by the EU’s solvency requirements. These European regulations have been included in Belgian legislation and the CBFA monitors compliance. The required information is transmitted on a quarterly basis.

The supervisor requires that each bank apply a minimum solvency ratio of 8%, defined as the relationship between statutory capital and the weighted risk volume.

The statutory capital is broken down into three tiers:

— Tier 1 capital: share and reserve capital including reinvested earnings. Affected provisions, overfunding of pension commitments and unrealised depreciation of the fixed available-for-sale income portfolio are deducted;
— Tier 2 capital: subordinated loans, perpetual subordinated debts and unrealised surplus values of the fixed available-for-sale income portfolio;
— Tier 3 capital only to cover market risk.

The changes to the calculation of the equity that were imposed by the banking supervisor as from 31 December 2010 do not have an impact on the equity of AXA Bank Europe.

The regulatory capital differs depending on the approach to credit risk. If the Internal Ratings-Based (IRB) approach is applied, a distinction must be made between IRB provisions and IRB estimates of anticipated losses on the off balance sheet items. A surplus of provisions may be included in the Tier 1 capital. A shortage of provisions must be deducted from the regulatory capital (50% Tier 1, 50% Tier 2).

The weighted risk volume for the Belgium retail credit portfolio credit risk is determined according to the IRB. The necessary models were developed to this end. Securitisation positions (mortgage backed) are also processed according to the IRB approach.

The Standard Approach (SA) is applied on the remaining assets, primarily the investment portfolio, which is determined by means of risk weighting, which differ depending on the credit assessment, the category and nature of each asset and counterparty, taking into account credit protection and guarantees.

A conversion factor is applied as required to the entries that fall outside the off-balance-sheet after which they are dealt with in a similar manner.

When the internal models of the Hungarian branch have been developed and validated completely, it will switch to the IRB.

The market risk is determined according to the SA.

The requirement for operational risk follows the BIA (basic indicator approach).

AXA Bank Europe obtained permission from the banking supervisor to apply bilateral netting under specific conditions for calculating the risk position values at the end of 2010. This results in a slight drop of the total weighted risk volume when compared to 2009.

In order to evaluate to what extent the capital is sufficient, account is also taken of the economic risks linked to subordinated activities, which are valued on the basis of the economic capital. The risks of pillar 2 that are not covered by pillar 1 are also dealt with. The impact of the diversification between the various risk types and the various Business Lines must be taken into account in the calculation of the economic capital. A quarterly report is provided to the Management Board.

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **Tier 1 capital** | | |
| Paid in capital | 546 318 | 546 318 |
| Reserves including retained earnings | 472 745 | 485 831 |
| minus: other intangible assets | -18 896 | |
| minus: loss of financial year | | -9 775 |
| minus: charges foreseen for wich no provisons where composed | | |
| minus: overfunding pension commitments | | |
| minus: adjustment reserves pursuant to revaluation of cash flow hedges | -16 097 | -12 116 |
| minus: valuation differences in FVO financial liabilities (own credit risk) | -1 867 | -3 962 |
| **Total tier 1 capital** | **982 203** | **1 006 295** |
| **Tier 2 capital** | | |
| Positive fair value revaluation reserve on available for sale equities | 576 | 614 |
| Perpetuel subordonated debts | 185 763 | 178 090 |
| Subordated debts | 144 244 | 157 032 |
| **Total tier 2 capital** | **330 584** | **335 736** |
| minus: participations | | |
| minus: subordinated advances on participations | | |
| minus: IRB provision shortfall (-) | -37 455 | -33 296 |
| net trading book profits | 4 434 | 2 383 |
| **TOTAL CAPITAL** | **1 279 767** | **1 308 735** |
| **TOTAL WEIGHTED RISK VOLUME** | **4 433 303** | **4 999 646** |
| **BASEL RATIO** | **28.87** | **26.18** |

## 5 / CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

AXA Bank Europe uses estimates and judgements when drawing up its consolidated financial statements on the basis of IFRS. These estimates and judgemenets are continuously tested and are based on the experience from the past and other factors, among which an acceptable assessment of future events based on currently known conditions.

Estimates and judgements take place primarily in the following areas:

— Estimation of the realisable value for impairments and this for:
  - Financial instruments - securities;
  - Financial instruments - credits;
  - Tangible fixed assets.

— Determination of the fair value of non-quoted financial instruments.
The fair value of financial instruments not quoted on an active market is determined by means of the use of rating techniques. Where these rating techniques (e.g., models) are used, they are checked and validated periodically. All models are also validated before they are applied and adjusted in order to always include the latest data and comparable market data. For more information, please to the point 4.9 Fair value of financial assets and liabilities.

— Estimate of the provisions for credit risk in the Hungarian Branch.
The provision for credit losses is estimated on an individual basis and represents the risk components of the borrowers in Hungary. Examples are given below. This list of examples is not exhaustive and are regularly updated in accordance with the best practices with a view of having the greatest possible accuracy and to keep pace with developments in Hungary.

- The seriousness of the payment problems;
- The magnitude of the debt;
- The location of the real estate;
- The condition and value of the real estate;
- The market liquidity in the region valued through a local index (equivalent to the Belgian Stadim);
- The time required to find a buyer in the region;
- Can be first class;
- The probability of recovery through a forced sale or some other means;
- The CHF/HUF currency exchange effect;
- ....

Although the economic context seems to have stabilised itself, estimating future credit lossess is made more difficult due to the volatility of the exchange market, sudden interest rate increases and difficulties on the real estate market.

These estimates are being closely followed and are adjusted on a monthly basis with a view to provide the most correct estimate of the provision for credit losses. We also refer to item 4.3.1 of this document for more quantitative information about credit risk in Hungary.

— Estimate of deferred tax.

The following distinction is made with regard to the deferred tax and their recoverability:

- Deferred tax through Other Comprehensive Income.
  A non-realisable loss is a temporary difference that only arises from the mark-to-market adjustment of debt instruments through the other comprehensive income. Such unrealised losses are related to market conditions and is by definition only temporary.
  AXA BANK Europe does not expect that this loss will be realised in the future. Should this be the case anyway, AXA BANK Europe must include this loss/impairment through an impairment in the income statement. The loss would then be regarded as a structural loss and on a long-term basis.
  As no impairment is noted on the receivable, no credit losses on debt instruments are expected. Therefore, the receivable is considered as fully recoverable.

- Deferred tax through the income statement.
  A deferred tax asset is recognised insofar future accounting profit will be available to recuperate the deferred tax asset.
  The following Belgian tax profits are available based on the forecast performed by AXA Bank Europe.

- Tax losses carried forward.
  The acknowledgment of deferred taxes for an amount of EUR 32 959 is the result of a change of estimation by management of the future taxable profit expectations.
  In accordance with the profit expectations, there would be sufficient future tax profits available within the contemplated period for the settlement of the unused part of the notional interest deduction. This is the reason for including a notional interest deduction deferred tax due amount. Based on the same profit expectataions, the notional interest deduction for 2007 related to this (residual part) was included up to notional interest deduction 2010.
  On the other hand, there are insufficient tax profits available for the settlement of the Belgian transferred tax losses and, consequently, a deferred tax due amount was not included for this part.
  Management is following profit expectations closely and the realisability of the deferred tax due amount is officially covered and documented at least twice a year.
  AXA Bank Europe had a total potential deferred tax due amount of EUR 31 634 413.33 of which EUR 2 947 811.87 was included at the end of 2009 with regard to the notional interest deduction. If we take into account the changes in the tax carrying amounts and the estimate of the end of 2010, AXA Bank Europe has included a deferred tax due amount for an overall amount of EUR 32 959 391.68 with regard to the notional interest deduction.

— Determination of the expected service life and residual value of tangible fixed assets and intangible assets.

— Actuarial assumptions relating to the rating of pension liabilities and pension assets (see more about this under section 33 Post-employment benefits and other long-term staff expenses).

— Estimation of existing liabilities resulting from events in the past when recognising provisions.

For a detailed description about the working method used in these valuations we refer to Section 2. Financial reporting policies.

## 6 / NET FEE AND COMMISSION INCOME

### Fee and commission income and expenses

in '000 EUR

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **Fee and commission income** | | |
| Securities | 16 301 | 16 307 |
| — Issued | 16 301 | 16 307 |
| — Transfer orders | | |
| — Other | | |
| Clearing and settlement | | |
| Trust and fiduciary activities | 1 315 | 1 188 |
| — Asset management | | |
| — Custody | 1 315 | 1 188 |
| — Other fiduciary transactions | | |
| Loan commitments | 1 508 | 365 |
| Payment services | 11 887 | 11 773 |
| Structured finance | | |
| Servicing fees from securitization activities | | |
| Other | 9 486 | 6 333 |
| **TOTAL** | **40 497** | **35 966** |
| **Fee and commission expenses** | | |
| Commissions to agents (acquisition costs) | 29 995 | 42 995 |
| Custody | | |
| Clearing and settlement | 13 | 10 |
| Servicing fees for securitization activities | | |
| Other | 12 217 | 12 707 |
| **TOTAL** | **42 225** | **55 712** |

## 7 / NET INCOME FROM FINANCIAL INSTRUMENTS NOT CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS

### Net income from financial instruments not classified as fair value through profit or loss

31.12.2010 – in '000 EUR

| | Realised gains | Realised losses | Net |
|---|---|---|---|
| Available-for-sale financial assets | 27 608 | 15 579 | 12 029 |
| Loans and receivables (including finance leases) | 6 736 | | 6 736 |
| Held-to-maturity investments | | | |
| Financial liabilities measured at amortised cost | | 883 | -883 |
| Other | | | |
| **TOTAL** | **34 344** | **16 462** | **17 882** |

### Net income from financial instruments not classified as fair value through profit or loss

31.12.2009 – in '000 EUR

| | Realised gains | Realised losses | Net |
|---|---|---|---|
| Available-for-sale financial assets | 2 970 | 20 850 | -17 880 |
| Loans and receivables (including finance leases) | 4 994 | | 4 994 |
| Held-to-maturity investments | | | |
| Financial liabilities measured at amortised cost | | 786 | -786 |
| Other | | | |
| **TOTAL** | **7 964** | **21 636** | **-13 672** |

## 8 / NET INCOME FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

| **Net income from financial instruments designated at fair value** 31.12.2010 – in '000 EUR | Realised gains | Realised losses | Net |
|---|---|---|---|
| Financial assets designated at fair value through profit or loss | 9 173 | 5 523 | 3 650 |
| Financial liabilities designated at fair value through profit or loss | 5 486 | 5 370 | 116 |
| **TOTAL** | **14 659** | **10 893** | **3 766** |

| **Net income from financial instruments designated at fair value** 31.12.2009 – in '000 EUR | Realised gains | Realised losses | Net |
|---|---|---|---|
| Financial assets designated at fair value through profit or loss | 16 334 | 10 865 | 5 469 |
| Financial liabilities designated at fair value through profit or loss | 6 778 | 13 556 | -6 778 |
| **TOTAL** | **23 112** | **24 421** | **-1 309** |

## 9 / NET INCOME FROM HEDGING ACTIVITIES

| **Net income from hedging activities** 31.12.2010 – in '000 EUR | Realised gains | Realised losses | Net |
|---|---|---|---|
| Fair value hedges | 14 474 | 14 455 | 19 |
| — Fair value changes of the hedged item attributable to the hedged risk | 14 216 | | 14 216 |
| — Fair value changes of the hedging derivatives (Including discontinuation) | 258 | 14 455 | -14 197 |
| Cash flow hedges | | | |
| — Fair value changes of the hedging derivatives - ineffective portion | | | |
| Hedges of net investments in a foreign operation | | | |
| — Fair value changes of the hedging derivatives - ineffective portion | | | |
| Fair value hedge of interest rate risk | 101 887 | 92 921 | 8 966 |
| — Fair value changes of the hedged item | 92 195 | | 92 195 |
| — Fair value changes of the hedging derivatives | 9 692 | 92 921 | -83 229 |
| Cash flow hedge of interest rate risk | | | |
| — Fair value changes of the hedging instrument - ineffective portion | | | |
| Discontinuation of hedge accounting in the case of a cash flow hedge | | | |
| **TOTAL** | **116 361** | **107 376** | **8 985** |

### Net income from hedging activities

31.12.2009 – in '000 EUR

| | Realised gains | Realised losses | Net |
|---|---|---|---|
| Fair value hedges | 697 | 616 | 81 |
| — Fair value changes of the hedged item attributable to the hedged risk | 697 | | 697 |
| — Fair value changes of the hedging derivatives (Including discontinuation) | | 616 | -616 |
| Cash flow hedges | | | |
| — Fair value changes of the hedging derivatives - ineffective portion | | | |
| Hedges of net investments in a foreign operation | | | |
| — Fair value changes of the hedging derivatives - ineffective portion | | | |
| Fair value hedge of interest rate risk | 49 624 | 34 788 | 14 836 |
| — Fair value changes of the hedged item | 49 624 | | 49 624 |
| — Fair value changes of the hedging derivatives | | 34 788 | -34 788 |
| Cash flow hedge of interest rate risk | | | |
| — Fair value changes of the hedging instrument - ineffective portion | | | |
| Discontinuation of hedge accounting in the case of a cash flow hedge | | | |
| **TOTAL** | **50 321** | **35 404** | **14 917** |

Including the amortization of the fair value change of the hedged position.

## 10 / OTHER OPERATING INCOME AND EXPENSES

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **INCOME** | **42 096** | **35 777** |
| Tangible assets measured using the revaluation model | | |
| Investment property | | |
| — Rental income from investment property | | |
| — Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used | | |
| — Other income related to investment property | | |
| Operating leases | | |
| Other | 42 096 | 35 777 |
| **EXPENSES** | **1 928** | **5 882** |
| Tangible assets measured using the revaluation model | | |
| Investment property | | |
| — Direct operating expenses (including repair and maintenance) arising from investment property that generated rental income during the period | | |
| — Direct operating expenses (including repair and maintenance) arising from investment property that did not generated rental income during the period | | |
| — Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used | | |
| Operating leases | 1 375 | 5 018 |
| Other | 553 | 864 |
| **TOTAL** | **40 168** | **29 895** |

## 11 / STAFF EXPENSES

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Wages and salaries | 86 228 | 79 299 |
| Social security charges | 37 020 | 35 679 |
| Pension and similar expenses | 2 213 | 1 016 |
| Share based payments | | |
| Other | 2 646 | 1 907 |
| **TOTAL** | **128 107** | **117 901** |

## 12 / OTHER OPERATING EXPENSES

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Marketing expenses | 8 856 | 7 666 |
| Professional fees | 49 413 | 23 278 |
| IT expenses | 11 127 | 10 021 |
| Rents to pay or to receive | 498 | -1 833 |
| Other | 96 819 | 108 699 |
| **TOTAL** | **166 713** | **147 831** |

## 13 / INCOME TAX EXPENSE (CURRENT AND DEFERRED TAXES)

AXA Bank Europe makes use of the notional interest deduction.

The notional interest deduction represents a fundamental change in the calculation structure of corporate taxes applicable from 2007 financial year.

The aim of this measure is to promote equity and to attract capital-intensive investments as well as to remain open to Belgian Coordination Centres.

The notional interest deduction reduces the taxable base on which the corporate taxes are calculated.

The notional interest deduction is based on the company's equity minus a number of corrections such as the deduction for fiscal net value at the end of the previous taxable reporting period for certain financial assets.

After determining the basis on which the notional interest deduction is calculated, this amount is multiplied by a percentage which represents the average of the monthly published reference indexes for linear bonds over 10 years, every two years before the relevant tax year.

If the accounting profit of the financial year is insufficient in order to fully aply the notional interest deduction, the undeducted portion can be carried forward for seven consecutive years.

For the financial year 2010, the taxable profit does not lead to corporate taxation, taking into account the notional interest deduction as described above. The notional interest deduction increased to an amount of EUR 32 275 220.89 during 2010, but part of the increase was offset by the taxable profit. Based on the budget analyses performed by AXA Bank Europe, a deferred tax asset was recognised for the overall amount of EUR 32 959 391.68, accounting for the notional interest deduction of the current and previous years.

Law of 22 June 2005, published in the Belgian Official Gazette of 30 June 2005. Its implementing order was approved on 17 September 2005 and published in the Belgian Official Gazette of 3 October 2005.

The law of 22 June 2005 was further improved by Article 115 of the law of 23 December 2005 on the Generation pact, published in the Belgian Official Gazette of 30 December 2005.

## Reconciliation of statutory tax to effective tax

31.12.2010 – in '000 EUR

| | Net amount | % |
|---|---|---|
| 1. Tax expense using statutory rate | -4 662 | |
| — 1.1. Net profit before taxes | -13 715 | |
| — 1.2. Statutory tax rate | | 33.99% |
| 2. Tax impact of rates in other jurisdictions | 6 979 | |
| 3. Tax impact of non taxable revenues | 5 | |
| 4. Tax impact of non tax deductible expenses | 332 | |
| 5. Tax impact of utilisation of previously unrecognised tax losses | | |
| 6. Tax impact on tax benefit not previously recognised in profit or loss | 5 554 | |
| 7. Tax impact from reassessment of unrecognised deferred tax assets | 21 827 | |
| 8. Tax impact of change in tax rates | -3 764 | |
| 9. Tax impact from under or over provisions in prior periods | | |
| 10. Other increase (decrease) in statutory tax charge | 2 444 | |
| 11. Tax expense using effective rate | -26 057 | |
| — 11.1. Net profit before taxes | -13 715 | |
| — 11.2. Effective tax rate | | 189.99% |

## Reconciliation of statutory tax to effective tax

31.12.2009 – in '000 EUR

| | Net amount | % |
|---|---|---|
| 1. Tax expense using statutory rate | -4 921 | |
| — 1.1. Net profit before taxes | -14 479 | |
| — 1.2. Statutory tax rate | | 33.99% |
| 2. Tax impact of rates in other jurisdictions | 3 250 | |
| 3. Tax impact of non taxable revenues | 2 078 | |
| 4. Tax impact of non tax deductible expenses | 2 682 | |
| 5. Tax impact of utilisation of previously unrecognised tax losses | | |
| 6. Tax impact on tax benefit not previously recognised in profit or loss | | |
| 7. Tax impact from reassessment of unrecognised deferred tax assets | 3 652 | |
| 8. Tax impact of change in tax rates | | |
| 9. Tax impact from under or over provisions in prior periods | | |
| 10. Other increase (decrease) in statutory tax charge | 15 | |
| 11. Tax expense using effective rate | -4 704 | |
| — 11.1. Net profit before taxes | -14 479 | |
| — 11.2. Effective tax rate | | 32.49% |

The tax claim recognized by AXA Bank Europe includes taxable reserves and provisions as well as tax claims on temporary differences due to IFRS restatements and the notional interest deduction. Regarding these temporary differences, the major part relates to fair value changes of the investment portfolio for which is assumed that most securities will be held until maturity. Based on the budget analyses carried out by management, AXA Bank does not expect any issues regarding the recoverability of these claims.

Hereunder a break-down of the recoverability of the deferred tax asset is shown:

| Analysis of deferred tax assets and liabilities 31.12.2010 – in '000 EUR | Net deferred tax assets | Net deferred tax liabilities | Net deferred taxes |
|---|---|---|---|
| Deferred taxes through result | 79 092 | 44 725 | 34 367 |
| Deferred taxes through revaluation reserve for financial assets available for sale | 83 195 | 4 208 | 78 987 |
| Deferred taxes through cash flow hedge revaluation reserve | 2 821 | 0 | 2 821 |
| Deferred taxes through profit and losss on defined benefit plans | 2 756 | 0 | 2 756 |
| **TOTAL DEFERRED TAXES** | **167 864** | **48 933** | **118 931** |

| Analysis of deferred tax assets and liabilities 31.12.2009 – in '000 EUR | Net deferred tax assets | Net deferred tax liabilities | Net deferred taxes |
|---|---|---|---|
| Deferred taxes through result | 20 719 | 12 169 | 8 550 |
| Deferred taxes through revaluation reserve for financial assets available for sale | 74 757 | 25 | 74 732 |
| Deferred taxes through cash flow hedge revaluation reserve | 771 | 0 | 771 |
| Deferred taxes through profit and losss on defined benefit plans | 59 | 0 | 59 |
| **TOTAL DEFERRED TAXES** | **96 306** | **12 194** | **84 112** |

| Deferred tax assets per expected date of utilization 31.12.2010 – in '000 EUR | Deferred tax asset - expected date of utilization 1 year | Deferred tax asset - expected date of utilization 2 year | Deferred tax asset - expected date of utilization 3 year | Deferred tax asset - expected date of utilization 4 year | Deferred tax asset - expected date of utilization 5 year | Deferred tax asset - expected date of utilization 6 year | Deferred tax asset - expected date of utilization Between 7 and 11 years | Deferred tax asset - expected date of utilization > 11 years | Deferred tax asset - expected date of utilization No date determined | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Deferred tax asset on taxable transferred losses | 0 | 185 | 2 414 | 1 021 | 0 | 0 | 0 | 155 | 0 | 3 775 |
| Other deferred tax assets | 14 792 | 9 090 | 20 973 | 11 198 | 4 259 | 11 349 | 30 076 | 62 353 | 0 | 164 089 |
| **TOTAL DTA** | **14 792** | **9 275** | **23 387** | **12 219** | **4 259** | **11 349** | **30 076** | **62 508** | **0** | **167 864** |

| Deferred tax assets per expected date of utilization 31.12.2009 – in '000 EUR | Deferred tax asset - expected date of utilization 1 year | Deferred tax asset - expected date of utilization 2 year | Deferred tax asset - expected date of utilization 3 year | Deferred tax asset - expected date of utilization 4 year | Deferred tax asset - expected date of utilization 5 year | Deferred tax asset - expected date of utilization 6 year | Deferred tax asset - expected date of utilization Between 7 and 11 years | Deferred tax asset - expected date of utilization > 11 years | Deferred tax asset - expected date of utilization No date determined | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Deferred tax asset on taxable transferred losses | 0 | 731 | 0 | 0 | 0 | 0 | 0 | 0 | 317 | 1 048 |
| Other deferred tax assets | 5 336 | 1 272 | 870 | 2 542 | 2 195 | 4 520 | 16 595 | 61 929 | 0 | 95 258 |
| **TOTAL DTA** | **5 336** | **2 003** | **870** | **2 542** | **2 195** | **4 520** | **16 595** | **61 929** | **317** | **96 306** |

| **Deferred tax assets as on the last use date** 31.12.2010 – in '000 EUR | DTA last use date 1 year | DTA last use date 2 year | DTA last use date 3 year | DTA last use date 4 year | DTA last use date 5 year | DTA last use date 6 year | DTA last use date Between 7 and 11 years | DTA last use date > 11 years | DTA last use date No due date | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| DTA on taxable transferred losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 775 | 3 775 |
| Other deferred tax assets | 1 120 | 1 833 | 3 153 | 2 872 | 12 452 | 25 140 | 41 451 | 51 743 | 24 326 | 164 089 |
| **TOTAL DTA** | **1 120** | **1 833** | **3 153** | **2 872** | **12 452** | **25 140** | **41 451** | **51 743** | **28 101** | **167 864** |

| **Deferred tax assets as on the last use date** 31.12.2009 – in '000 EUR | DTA last use date 1 year | DTA last use date 2 year | DTA last use date 3 year | DTA last use date 4 year | DTA last use date 5 year | DTA last use date 6 year | DTA last use date Between 7 and 11 years | DTA last use date > 11 years | DTA last use date No due date | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| DTA on taxable transferred losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 048 | 1 048 |
| Other deferred tax assets | 2 198 | -57 | 851 | 2 092 | 2 173 | 4 510 | 17 012 | 51 440 | 15 040 | 95 259 |
| **TOTAL DTA** | **2 198** | **-57** | **851** | **2 092** | **2 173** | **4 510** | **17 012** | **51 440** | **16 088** | **96 307** |

| **Income tax expense (income), current and deferred** in '000 EUR | 2010 | 2009 |
|---|---|---|
| Current income tax expense, net | -4 | -99 |
| Deferred tax expense, net | -26 053 | -4 605 |

AXA Bank Europe's equity contains tax free reserves (for an amount of EUR 235 083 484.12) for which no deferred tax asset is recognised. In case these reserves would be paid out, they would be taxed. As long as the bank is a going concern, these reserves are required as part of the equity capital for the operations of the bank and there is no intention to pay them out.

## 14 / CASH AND BALANCES WITH CENTRAL BANKS

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Current accounts with central banks | 558 236 | 82 777 |
| — Available credit balances with central banks | 558 236 | 82 777 |
| Mandatory reserve deposits with central banks | 0 | 37 |
| **TOTAL** | **558 236** | **82 814** |

This section includes EUR 444 574.32 in accrued interests.

## 15 / LOANS AND RECEIVABLES

| **Counterparty breakdown** 31.12.2010 – in '000 EUR | Unimpaired assets | Impaired assets (total carrying amount) | Allowances for individually assessed financial assets | Allowances for collectively assessed financial assets[1] | Total net carrying amount |
|---|---|---|---|---|---|
| Debts instruments issued by | | | | | |
| — Central governments | | | | | |
| — Credit institutions | | | | | |
| — Non credit institutions | | | | | |
| — Corporate | | | | | |
| — Retail | | | | | |
| Loans and receivables to | 21 994 397 | 494 952 | 118 613 | 15 855 | 22 354 881 |
| — Central governments | 1 124 | | | | 1 124 |
| — Credit institutions | 2 983 509 | | | | 2 983 509 |
| — Non credit institutions | 4 829 204 | | | | 4 829 204 |
| — Corporate | 38 200 | 21 799 | 12 379 | | 47 620 |
| — Retail | 14 142 360 | 473 153 | 106 234 | 15 855 | 14 493 424 |
| Accrued income (if accounted for separately) | | | | | |
| **TOTAL** | **21 994 397** | **494 952** | **118 613** | **15 855** | **22 354 881** |

| **Counterparty breakdown** 31.12.2009 – in '000 EUR | Unimpaired assets | Impaired assets (total carrying amount) | Allowances for individually assessed financial assets | Allowances for collectively assessed financial assets[1] | Total net carrying amount |
|---|---|---|---|---|---|
| Debts instruments issued by | | | | | |
| — Central governments | | | | | |
| — Credit institutions | | | | | |
| — Non credit institutions | | | | | |
| — Corporate | | | | | |
| — Retail | | | | | |
| Loans and receivables to | 20 265 936 | 205 972 | 115 210 | 11 490 | 20 345 209 |
| — Central governments | | | | | |
| — Credit institutions | 2 071 423 | | | | 2 071 423 |
| — Non credit institutions | 4 634 183 | 1 203 | 856 | | 4 634 531 |
| — Corporate | 881 103 | 62 591 | 53 029 | | 890 665 |
| — Retail | 12 679 227 | 142 178 | 61 325 | 11 490 | 12 748 590 |
| Accrued income (if accounted for separately) | | | | | |
| **TOTAL** | **20 265 936** | **205 972** | **115 210** | **11 490** | **20 345 209** |

(1) The strong fluctuation of the term loans between companies and private individuals compared to 2009 is due to the refining of the reporting tool where a shift occurred from SME's to private individuals.

| **Loans and receivables (excluding credit institutions)**<br>31.12.2010 – in '000 EUR | Central governments | Non credit institutions | Corporate | Retail |
|---|---|---|---|---|
| Bills & own acceptances | | | | |
| Finance leases | | | | |
| Reverse repo | | 4 577 774 | | |
| Consumer Credit | | | 11 207 | 868 289 |
| Mortgage loans | | | | 11 478 355 |
| Term loans | | 192 644 | 26 313 | 2 078 000 |
| Current accounts | | 2 254 | 10 046 | 57 087 |
| Other | 1 124 | 56 532 | 53 | 11 694 |
| **TOTAL** | **1 124** | **4 829 204** | **47 619** | **14 493 425** |

| **Loans and receivables (excluding credit institutions)**<br>31.12.2009 – in '000 EUR | Central governments | Non credit institutions | Corporate | Retail |
|---|---|---|---|---|
| Bills & own acceptances | | | | |
| Finance leases | | | | |
| Reverse repo | | 4 418 570 | | |
| Consumer Credit | | 4 971 | 5 061 | 816 409 |
| Mortgage loans | | 46 969 | 1 055 | 10 528 593 |
| Term loans | | 159 038 | 855 412 | 1 027 375 |
| Current accounts | | 2 215 | 28 970 | 28 864 |
| Other | | 2 767 | 167 | 347 349 |
| **TOTAL** | | **4 634 530** | **890 665** | **12 748 590** |

## 16 / FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

### Counterparty breakdown

31.12.2010 – in '000 EUR

| | Total (carrying amount) |
|---|---|
| Equity instruments | 2 541 |
| — Quoted | 2 541 |
| — Unquoted but FV determinable | |
| Debt instruments issued by | 69 122 |
| — Central governments | |
| — Credit institutions | 40 725 |
| — Non credit institutions | 28 397 |
| — Corporate | |
| — Retail | |
| Loans and advances to | |
| — Central governments | |
| — Credit institutions | |
| — Non credit institutions | |
| — Corporate | |
| — Retail | |
| Accrued income if accounted for separately | |
| **TOTAL** | **71 663** |

### Counterparty breakdown

31.12.2009 – in '000 EUR

| | Total (carrying amount) |
|---|---|
| Equity instruments | 2 887 |
| — Quoted | 2 887 |
| — Unquoted but FV determinable | |
| Debt instruments issued by | 63 021 |
| — Central governments | |
| — Credit institutions | 39 062 |
| — Non credit institutions | 23 315 |
| — Corporate | 644 |
| — Retail | |
| Loans and advances to | |
| — Central governments | |
| — Credit institutions | |
| — Non credit institutions | |
| — Corporate | |
| — Retail | |
| Accrued income if accounted for separately | |
| **TOTAL** | **65 908** |

## 17 / AVAILABLE FOR SALE FINANCIAL INVESTMENTS

### Counterparty breakdown

31.12.2010 – in '000 EUR

| | Fair value of unimpaired assets | Fair value of impaired assets | Total net carrying amount | Impairment |
|---|---|---|---|---|
| Equity | 6 734 | 2 898 | 9 632 | 2 236 |
| — Quoted | 140 | 2 865 | 3 005 | 2 178 |
| — Unquoted but FV determinable | 6 594 | 33 | 6 627 | 58 |
| — Equity instruments at cost | | | | |
| Debt instruments issued by | 4 970 871 | 12 688 | 4 983 558 | 13 128 |
| — Central governments | 3 169 055 | | 3 169 055 | |
| — Credit institutions | 501 148 | 1 | 501 149 | |
| — Non credit institutions | 1 100 020 | 12 687 | 1 112 707 | 13 128 |
| — Corporate | 200 648 | | 200 648 | |
| — Retail | | | | |
| Loans and advances to | | | | |
| — Central governments | | | | |
| — Credit institutions | | | | |
| — Non credit institutions | | | | |
| — Corporate | | | | |
| — Retail | | | | |
| Accrued income (if accounted for separately) | | | | |
| **TOTAL** | **4 977 605** | **15 586** | **4 993 190** | **15 364** |

### Counterparty breakdown

31.12.2009 – in '000 EUR

| | Fair value of unimpaired assets | Fair value of impaired assets | Total net carrying amount | Impairment |
|---|---|---|---|---|
| Equity | 5 518 | 4 322 | 9 840 | 3 415 |
| — Quoted | 121 | 2 931 | 3 052 | 2 178 |
| — Unquoted but FV determinable | 5 397 | 1 391 | 6 788 | 1 237 |
| — Equity instruments at cost | | | | |
| Debt instruments issued by | 3 649 640 | 5 447 | 3 655 086 | 45 803 |
| — Central governments | 1 866 043 | | 1 866 043 | |
| — Credit institutions | 475 140 | 76 | 475 216 | 4 092 |
| — Non credit institutions | 1 168 556 | 5 371 | 1 173 926 | 41 711 |
| — Corporate | 139 901 | | 139 901 | |
| — Retail | | | | |
| Loans and advances to | | | | |
| — Central governments | | | | |
| — Credit institutions | | | | |
| — Non credit institutions | | | | |
| — Corporate | | | | |
| — Retail | | | | |
| Accrued income (if accounted for separately) | | | | |
| **TOTAL** | **3 655 158** | **9 769** | **3 664 926** | **49 218** |

## 18 / TRADING ASSETS

### Counterparty breakdown

31.12.2010 – in '000 EUR

| | Carrying amount |
|---|---|
| Derivatives held for trading | 2 852 814 |
| Equity instruments | 9 950 |
| — Quoted | 9 950 |
| — Unquoted but FV determinable | |
| — Equity instruments at cost | |
| Debt instruments issued by | |
| — Central governments | |
| — Credit institutions | |
| — Non credit institutions | |
| — Corporate | |
| — Retail | |
| Loans and advances to | |
| — Central governments | |
| — Credit institutions | |
| — Non credit institutions | |
| — Corporate | |
| — Retail | |
| Accrued income (if accounted for separately) | |
| **TOTAL** | **2 862 764** |

### Counterparty breakdown

31.12.2009 – in '000 EUR

| | Carrying amount |
|---|---|
| Derivatives held for trading | 1 685 314 |
| Equity instruments | 628 |
| — Quoted | 1 |
| — Unquoted but FV determinable | 627 |
| — Equity instruments at cost | |
| Debt instruments issued by | 2 |
| — Central governments | |
| — Credit institutions | |
| — Non credit institutions | 2 |
| — Corporate | |
| — Retail | |
| Loans and advances to | |
| — Central governments | |
| — Credit institutions | |
| — Non credit institutions | |
| — Corporate | |
| — Retail | |
| Accrued income (if accounted for separately) | |
| **TOTAL** | **1 685 944** |

## 19 / IMPAIRMENT CHARGE FOR CREDIT LOSSES

| 31.12.2010 – in '000 EUR | Overdue ≤ 90 days | Overdue > 90 days & ≤ 180 days | Overdue > 180 days & ≤ 1 year | Overdue > 1 year | Net carrying amount of the impaired assets | Specific allowances for individually assessed financial assets | Specific allowances for collectively assessed financial assets | Collateral and other credit enhancements received as security for the related impaired and past due assets |
|---|---|---|---|---|---|---|---|---|
| Equity instruments | | | | | 2 898 | 2 236 | | |
| — Quoted | | | | | 2 865 | 2 178 | | |
| — Unquoted but FV determinable | | | | | 33 | 58 | | |
| — Equity instruments at cost | | | | | | | | |
| Debt instruments | | | | | 12 687 | 13 128 | | |
| — Central governments | | | | | | | | |
| — Credit institutions | | | | | | | | |
| — Non credit institutions | | | | | 12 687 | 13 128 | | |
| — Corporate | | | | | | | | |
| — Retail | | | | | | | | |
| Loans and advances | 685 301 | 1 044 | 356 | 336 | 371 302 | 118 613 | 5 037 | |
| — Central governments | 131 | | | | | | | |
| — Credit institutions | | | | | | | | |
| — Non credit institutions | 16 899 | 13 | | 1 | | | | |
| — Corporate | 52 853 | 88 | 211 | 49 | 9 855 | 12 379 | | |
| — Retail | 615 418 | 943 | 145 | 286 | 361 447 | 106 234 | 5 037 | |
| Bills & own acceptances | | | | | | | | |
| Finance leases | | | | | | | | |
| Securitized loans | | | | | | | | |
| Consumer Credit | 83 029 | 2 | | | 17 322 | 9 691 | 234 | |
| Mortgage loans | 507 570 | 759 | | | 153 269 | 26 744 | 3 777 | |
| Term loans | 18 058 | 17 | | | 186 115 | 61 659 | 581 | |
| Current accounts | 6 761 | 165 | 145 | 286 | 4 741 | 8 140 | 445 | |
| Other | | | | | | | | |
| Other financial assets | | | | | 838 | 3 304 | | |
| **TOTAL** | **685 301** | **1 044** | **356** | **336** | **387 725** | **137 281** | **5 037** | |
| Allowances for incurred but not reported losses on financial assets | | | | | | | 10 817 | |
| Non specifically attributable collaterals | | | | | | | | |

| 31.12.2009 – in '000 EUR | Overdue ≤ 90 days | Overdue > 90 days & ≤ 180 days | Overdue > 180 days & ≤ 1 year | Overdue > 1 year | Net carrying amount of the impaired assets | Specific allowances for individually assessed financial assets | Specific allowances for collectively assessed financial assets | Collateral and other credit enhancements received as security for the related impaired and past due assets |
|---|---|---|---|---|---|---|---|---|
| Equity instruments | | | | | 4 322 | 3 415 | | |
| — Quoted | | | | | 2 931 | 2 178 | | |
| — Unquoted but FV determinable | | | | | 1 391 | 1 237 | | |
| — Equity instruments at cost | | | | | | | | |
| Debt instruments | | | | | 5 446 | 45 803 | | |
| — Central governments | | | | | | | | |
| — Credit institutions | | | | | 75 | 4 092 | | |
| — Non credit institutions | | | | | 5 371 | 41 711 | | |
| — Corporate | | | | | | | | |
| — Retail | | | | | | | | |
| Loans and advances | 908 022 | 1 212 | 322 | 464 | 90 763 | 115 211 | | |
| — Central governments | 123 | | | | | | | |
| — Credit institutions | | | | | | | | |
| — Non credit institutions | 18 804 | | | 1 | 347 | 856 | | |
| — Corporate | 70 562 | 398 | 148 | 63 | 9 563 | 53 029 | | |
| — Retail | 818 533 | 814 | 174 | 400 | 80 853 | 61 326 | | |
| Bills and own acceptances | | | | | | | | |
| Finance leases | | | | | | | | |
| Securitized loans | | | | | | | | |
| Consumer Credit | 112 325 | 86 | | | 16 825 | 9 529 | | |
| Mortgage loans | 676 686 | 575 | | | 35 851 | 16 635 | | |
| Term loans | 22 406 | | | | 24 943 | 27 888 | | |
| Current accounts | 7 115 | 153 | 174 | 400 | 3 234 | 7 274 | | |
| Other | 1 | | | | | | | |
| Other financial assets | | | | | 998 | 3 519 | | |
| **TOTAL** | **908 022** | **1 212** | **322** | **464** | **101 529** | **167 948** | | |
| Allowances for incurred but not reported losses on financial assets | | | | | | | 11 490 | |
| Non specifically attributable collaterals | | | | | | | | |

## Overview of impairment

31.12.2010 – in '000 EUR

| | Additions | Reversals | Total |
|---|---|---|---|
| Impairment losses on financial assets not measured at fair value through profit or loss | 117 491 | 50 824 | 66 667 |
| — Financial assets measured at cost (unquoted equity and related derivatives) | | | |
| — Available for sale financial assets measured at fair value through equity | 11 918 | 8 036 | 3 882 |
| — Loans and receivables measured at amortized cost (including finance leases) | 105 573 | 42 788 | 62 785 |
| — Held to maturity investments measured at amortized cost | | | |
| Impairment on | | | |
| — Property, plant and equipment | | | |
| — Investment properties | | | |
| — Intangible assets | | | |
| Goodwill | | | |
| Other | | | |
| — Investments in associates and joint ventures accounted for using the equity method | | | |
| — Other | | | |
| **TOTAL** | **117 491** | **50 824** | **66 667** |
| Interest income on impaired financial assets accrued in accordance with IAS 39 | | | 262 |

## Credit exposure

31.12.2010 – in '000 EUR

| | Maximum credit exposure |
|---|---|
| Equity | 22 122 |
| Debt instruments | 5 052 680 |
| Loans and advances | 23 154 176 |
| Derivatives | 2 901 337 |
| Other | 96 894 |
| **TOTAL** | **31 227 209** |
| Carrying amount of financial assets pledged as collateral for | 6 826 374 |
| — Liabilities | 6 813 744 |
| — Contingent liabilities | 12 630 |

## Allowances movements for credit losses

31.12.2010 – in '000 EUR

| | Opening balance | Write-down taken against the allowance | Amounts set aside for estimated probable loan losses | Amounts reversed for estimated probable loan losses | Other adjustments | Transfers between allowances | Closing balance | Recoveries directly recognized in profit or loss | Charge-offs directly recognized in profit or loss |
|---|---|---|---|---|---|---|---|---|---|
| Specific allowances for individually assessed financial assets and specific allowances for collectively assessed financial assets | 167 947 | 23 715 | 72 740 | 47 383 | -27 271 | | 142 318 | 3 775 | 41 879 |
| Allowances for incurred but not reported losses on financial assets | 11 490 | | 2 871 | 3 441 | -104 | | 10 816 | | |
| **TOTAL** | **179 437** | **23 715** | **75 611** | **50 824** | **-27 375** | | **153 134** | **3 775** | **41 879** |

## Overview of impairment

31.12.2009 – in '000 EUR

| | Additions | Reversals | Total |
|---|---|---|---|
| Impairment losses on financial assets not measured at fair value through profit or loss | 55 332 | 33 233 | 22 099 |
| — Financial assets measured at cost (unquoted equity and related derivatives) | | | |
| — Available for sale financial assets measured at fair value through equity | 3 441 | 19 677 | -16 236 |
| — Loans and receivables measured at amortized cost (including finance leases) | 51 891 | 13 556 | 38 335 |
| — Held to maturity investments measured at amortized cost | | | |
| Impairment on | | | |
| — Property, plant and equipment | | | |
| — Investment properties | | | |
| — Intangible assets | | | |
| Goodwill | | | |
| Other | | | |
| — Investments in associates and joint ventures accounted for using the equity method | | | |
| — Other | | | |
| **TOTAL** | **55 332** | **33 233** | **22 099** |
| Interest income on impaired financial assets accrued in accordance with IAS 39 | | | 122 |

## Credit exposure

31.12.2009 – in '000 EUR

| | Maximum credit exposure |
|---|---|
| Equity | 13 355 |
| Debt instruments | 3 718 109 |
| Loans and advances | 21 173 006 |
| Derivatives | 1 694 840 |
| Other | 89 365 |
| **TOTAL** | **26 688 675** |

## Allowances movements for credit losses

31.12.2009 – in '000 EUR

| | Opening balance | Write-down taken against the allowance | Amounts set aside for estimated probable loan losses | Amounts reversed for estimated probable loan losses | Other adjustments | Transfers between allowances | Closing balance | Recoveries directly recognized in profit or loss | Charge-offs directly recognized in profit or loss |
|---|---|---|---|---|---|---|---|---|---|
| Specific allowances for individually assessed financial assets and specific allowances for collectively assessed financial assets | 153 073 | | 52 100 | 32 160 | -5 066 | | 167 947 | | 18 784 |
| Allowances for incurred but not reported losses on financial assets | 7 605 | | 2 639 | 1 073 | 2 319 | | 11 490 | | |
| **TOTAL** | **160 678** | | **54 739** | **33 233** | **-2 747** | | **179 437** | | **18 784** |

For the rules applied regarding the accounting of impairments we refer to section 2.2 and 2.3 above.

### Received collateral

AXA Bank Belgium does not own collateral, which it is permitted to sell or repledge in the absence of default by the debtor, except for:

— Collateral received as part of repo/reverse repo transactions;
— Collateral received as part of a number of derivative transactions;
— Collateral received with respect to collateralized deposits.

They are regularly re-used as collateral within the framework of repo transactions or in the framework of the monetary policy of ECB (security used for tender or intraday credit granting).

Should an opposing party remain in default, we will be the legal owner of those securities and we will be entitled (due to the ISDA and GMRA contracts concluded with these counterparties) to convert them into cash and not to be dependent on a defaulting opposing party.

### Retail collateral

#### *Collateral for residential mortgages*

The credit must be fully guaranteed by a mortgage (subscription or mandate) on real property (full property). The property must be normally marketable.

Property guarantees are legally required. The mortgage guarantees to be established can be reused in the context of potential subsequent mortgage loans.

All guarantees complementing mortgage guarantees must be fixed before the credit is officially established (this also, therefore applies to additional movable guarantees). For a bridging loan in theory a mortgage mandate is established on both the property to be bought and the property to be sold.

#### *Collateral for personal credits*

These guarantees are the following:

— **real**: relate to a property, movable or immovable, with an intrinsic value;
— **personal**: consist of a right to establish claim against a person;
— **moral**: grant no implementation method to the bank and rely on the honesty of those that have issued them.

Below you will find a list of guarantees that are used regularly for professional credits at AXA Bank Europe.

#### *Real guarantees*

— Mortgage and mortgage subscription;
— Authentic pledging of business;
— Subrogation to the benefit of the seller of real estate;
— Pledging of securities;
— Pledging account balance;
— Transfer of all “traditional life insurance” rights;
— Transfer of all insurance policy rights Branch 21, 23;
— Transfer of salary.

#### *Personal or moral guarantees*

— Security;
— Mortgage mandate;
— Irrevocable commitment by a third party.

#### *Collateral for instalment loans*

For consumer credits only one type of guarantees is used:

Transfer of debt collection or act of relinquishment of wages and other income.

### Treasury and derivatives guarantees

At this time the only guarantees received by AXA Bank Europe are those regarding repo activities or derivatives, in function of the fluctuation of the market value of the deals.

In the framework of the “Global master repurchase agreement”, (GMRA) AXA Bank Europe only accepts government bonds. Since August 2007, however, we have concluded one GMRA with AXA IM in which we also accepted “non-governmental” paper. This kind of paper is only accepted if it is accepted as collateral by the ECB.

In repo activities we distinguished two types of collateral: on the one hand the collateral received at the time a new deal is concluded; on the other hand the collateral asked during the term of the deals in function of the fluctuation of the market value of the initially provided collateral. For French counterparties this additional collateral will always be settled in cash (at EONIA commission). This in contrast, however, to the time of the deal initiation when only securities are accepted as collateral. We also have tripartite repo activities whereby Clearstream or Euroclear ensures that we receive sufficient collateral at all times from our counterparties insofar as said collateral is included in our “collateral basket”.

In derivatives activities currently the general rule applies that collateral is actively requested. Only cash (at Eonia compensation) and Belgian, German, Italian, French and UK government bonds with a residual term of at least one year and at the most 10 will be considered. An exception to this rule is the American counterparties. For these counterparties, American securities will also be accepted in CSAs with a minimum term of one year and a maximum term of 10 years. For 1 counterparty, AXA Reinsurance Ireland, we also accept government bonds in Japanese yen.

## 20 / DERIVATIVES

Derivatives comprehend swaps, futures and options contracts. Their value include underlying variables such as interest rates, currency exchange rates, the price of goods or share rates for all types of derivatives.

As part of its banking activity AXA Bank Europe makes use of the following derived financial instruments classed in accordance with the possible classifications under IFRS.

### Fair value hedge

AXA Bank Europe makes use of interest rate swaps with the aim of covering the fair value changes of the mortgage portfolio following fluctuations of the interest rate as well as the difference in interest position between mortgage credits (based on long-term interest) and the financing used (short-term interest).

For a part of the fixed mortgage loan portfolio the "fair value hedge" model is used. This model has been applied since 1 April 2005. From July 2009, the existing hedge accounting relationship was replaced by a new model to strengthen the efficiency of the relationship. A fair value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the underlying hedged item instrument. It is periodically checked whether the hedge is still efficient (prospective and retrospective testing). If the model is efficient, the gain or loss from remeasuring with respect to the covered portion of the mortgage loan portfolio is recognised in the profit-and-loss account just like the fair value changes of the relevant derivatives.

Asset swaps: a number of bond positions are covered individually with an interest rate swap. If the fair value hedge can be shown, the gain or loss from remeasuring with respect to the bond's interest risk is also recognised in the income statement.

The fair value changes of the covered risk are written off, with, among others, an improvement in this method in 2007, which leads to a difference in value adjustment between the covered risk and the derivative.

AXA Bank Europe has purchased interest rate caps on the market to cover the margin on the portfolios of mortgage loans with variable interest rates of AXA Bank Europe. This ensures that AXA Bank Europe covers the risk of fair value changes of the written cap option enclosed in the mortgages due to fluctuations in the Euribor interest rate. The cover has the form of a dynamic portfolio hedge. The model is regularly reviewed to add new hedge instruments and to take into account new mortgages. A regression analysis each quarter tests the efficiency of the model. This new model is being used as from July 2010.

The issue by AXA Bank Europe of covered bonds in October 2010 has been covered by 3 interest rate swaps. These swaps are a part of a micro fair value hedge. A regression analysis each quarter tests the efficiency of the model. When it is deemed efficient, the value change in the fair value of the bond as a result of covering the interest rate risk of OCI (unrealised results) can be transferred to the profit and loss account.

### Cash-Flow hedge

This strategy includes the coverage of current liabilities which will end in 2018. It involves a strict micro-hedge construction aimed at insuring the bank regarding flows to be paid.

### Voluntary designation at fair value through profit and loss (Fair value option)

The "fair value option" is applied in a number of cases:

- The "fair value option" is applied for asset swaps under IFRS in some portfolios, whereby the economically related instruments, in this case the bonds are also recognised at fair value in the balance sheet with their fair value changes recognised in the income statement. Here an internal model is used based on discounted future cash flows;
- The "fair value option" is also applied to structured deposits, hedged with equity swaps, which are faced with the issuance of EMTNs. This takes place in accordance with the principle of close economic correlation between both since the use of these instruments fits into the management of a maximum risk position. The determination of the fair values takes place on the basis of prices obtained from reliable market participants. These prices obtained externally are validated internally;
- Some funds in the investment portfolio are designated at fair value through profit and loss;
- Investments in structured notes (embedded derivatives not closely related) also fall under the "fair value option".

### Freestanding derivatives

#### *Macro-hedge activity*

In order to further cover the mortgage portfolio more complex interest rate swaps, caps and swaptions are used. This is a macro-hedge, which is accounted for under IFRS as a stand-alone trading instrument.

The same applies to the use of interest rate swaps and swaptions in the context of ALM management.

#### *Trading activity*

We also find interest rate swaps, total return swaps, FX swaps, FRAs, futures, swaptions and stock options in the trading portfolio.

Derivatives – held for trading purposes.

| By nature<br>31.12.2010 – in '000 EUR | By type | Notional amount | Carrying amount Assets | Carrying amount Liabilities |
|---|---|---|---|---|
| Interest rate | Option / Cap / Floor / Collar / Swaption | 8 564 222 | 186 719 | 161 369 |
| | IRS | 65 171 999 | 2 423 385 | 2 391 397 |
| | FRA | | | |
| | Forward | | | |
| | Interest future | | | |
| | Other | | | |
| Equity instruments | Equity forward | | | |
| | Equity future | | | |
| | Equity option | 4 923 | 58 | 58 |
| | Warrant | | | |
| | Other | 3 422 950 | 215 294 | 215 040 |
| Currency (FX) | FX forward | 2 806 118 | 23 827 | 42 745 |
| | FX future | | | |
| | Cross currency swap | | | |
| | FX option | 138 448 | 3 531 | 1 |
| | FX forward rate agreement | | | |
| | Other | | | |
| Credit | Credit default swap | | | |
| | Credit spread option | | | |
| | Total return swap | | | |
| | Other | | | |
| Commodity | | | | |
| Other | | | | |
| Accrued income/expenses (if accounted for separately) | | | | |
| **TOTAL** | | **80 108 660** | **2 852 814** | **2 810 610** |

| By nature<br>31.12.2009 – in '000 EUR | By type | Notional amount | Carrying amount Assets | Carrying amount Liabilities |
|---|---|---|---|---|
| Interest rate | Option / Cap / Floor / Collar / Swaption | 8 744 966 | 170 071 | 145 616 |
| | IRS | 40 786 118 | 1 395 831 | 1 403 533 |
| | FRA | | | |
| | Forward | | | |
| | Interest future | | | |
| | Other | | | |
| Equity instruments | Equity forward | | | |
| | Equity future | | | |
| | Equity option | | | |
| | Warrant | | | |
| | Other | 3 730 751 | 100 514 | 99 271 |
| Currency (FX) | FX forward | 1 515 526 | 18 253 | 13 077 |
| | FX future | | | |
| | Cross currency swap | | | |
| | FX option | 448 326 | 645 | |
| | FX forward rate agreement | | | |
| | Other | | | |
| Credit | Credit default swap | | | |
| | Credit spread option | | | |
| | Total return swap | | | |
| | Other | | | |
| Commodity | | | | |
| Other | | | | |
| Accrued income/expenses (if accounted for separately) | | | | |
| **TOTAL** | | **55 225 687** | **1 685 314** | **1 661 497** |

Derivatives – administrative treatment of hedging activities (micro hedging).

| By type of risk 31.12.2010 – in '000 EUR | By instrument | Carrying amount Assets | Carrying amount Liabilities | Notional amount |
|---|---|---|---|---|
| **FAIR VALUE HEDGES** | | | | |
| Interest rate | Option / Cap / Floor / Collar / Swaption | | | |
| | IRS | 7 039 | 118 015 | 2 083 000 |
| | FRA | | | |
| | Forward | | | |
| | Interest future | | | |
| | Other | | | |
| Equity instruments | Equity forward | | | |
| | Equity future | | | |
| | Equity option | | | |
| | Warrant | | | |
| | Other | | | |
| Currency (FX) | FX forward | | | |
| | FX future | | | |
| | Cross currency swap | | | |
| | FX option | | | |
| | FX forward rate agreement | | | |
| | Other | | | |
| Credit | Credit default swap | | | |
| | Credit spread option | | | |
| | Total return swap | | | |
| | Other | | | |
| Commodity | | | | |
| Other | | | | |
| **TOTAL** | | **7 039** | **118 015** | **2 083 000** |
| **CASH FLOW HEDGES** | | | | |
| Interest rate | Option / Cap / Floor / Collar / Swaption | | | |
| | IRS | 28 | 34 411 | 200 000 |
| | FRA | | | |
| | Forward | | | |
| | Interest future | | | |
| | Other | | | |
| Equity instruments | Equity forward | | | |
| | Equity future | | | |
| | Equity option | | | |
| | Warrant | | | |
| | Other | | | |
| Currency (FX) | FX forward | | | |
| | FX future | | | |
| | Cross currency swap | | | |
| | FX option | | | |
| | FX forward rate agreement | | | |
| | Other | | | |
| Credit | Credit default swap | | | |
| | Credit spread option | | | |
| | Total return swap | | | |
| | Other | | | |
| Commodity | | | | |
| Other | | | | |
| **TOTAL** | | **28** | **34 411** | **200 000** |
| Hedges of a net investment in a foreign operation | | | | |
| **TOTAL** | | **7 067** | **152 426** | **2 283 000** |

| By type of risk<br>31.12.2009 – in '000 EUR | By instrument | Carrying amount Assets | Carrying amount Liabilities | Notional amount |
|---|---|---|---|---|
| **FAIR VALUE HEDGES** | | | | |
| Interest rate | Option / Cap / Floor / Collar / Swaption | | | |
| | IRS | 3 413 | 37 026 | 857 000 |
| | FRA | | | |
| | Forward | | | |
| | Interest future | | | |
| | Other | | | |
| Equity instruments | Equity forward | | | |
| | Equity future | | | |
| | Equity option | | | |
| | Warrant | | | |
| | Other | | | |
| Currency (FX) | FX forward | | | |
| | FX future | | | |
| | Cross currency swap | | | |
| | FX option | | | |
| | FX forward rate agreement | | | |
| | Other | | | |
| Credit | Credit default swap | | | |
| | Credit spread option | | | |
| | Total return swap | | | |
| | Other | | | |
| Commodity | | | | |
| Other | | | | |
| **TOTAL** | | **3 413** | **37 026** | **857 000** |
| **CASH FLOW HEDGES** | | | | |
| Interest rate | Option / Cap / Floor / Collar / Swaption | | | |
| | IRS | 16 | 28 436 | 200 000 |
| | FRA | | | |
| | Forward | | | |
| | Interest future | | | |
| | Other | | | |
| Equity instruments | Equity forward | | | |
| | Equity future | | | |
| | Equity option | | | |
| | Warrant | | | |
| | Other | | | |
| Currency (FX) | FX forward | | | |
| | FX future | | | |
| | Cross currency swap | | | |
| | FX option | | | |
| | FX forward rate agreement | | | |
| | Other | | | |
| Credit | Credit default swap | | | |
| | Credit spread option | | | |
| | Total return swap | | | |
| | Other | | | |
| Commodity | | | | |
| Other | | | | |
| **TOTAL** | | **16** | **28 436** | **200 000** |
| Hedges of a net investment in a foreign operation | | | | |
| **TOTAL** | | **3 429** | **65 462** | **1 057 000** |

Hedging of interest rate risk on portfolio level (macro hedging).

| **Portfolio hedge of interest rate risk** 31.12.2010 – in '000 EUR | Carrying amount Assets | Carrying amount Liabilities | Notional amount |
|---|---|---|---|
| Fair value hedges | 41 454 | 233 871 | 3 552 101 |
| Cash flow hedges | | | |

| **Portfolio hedge of interest rate risk** 31.12.2009 – in '000 EUR | Carrying amount Assets | Carrying amount Liabilities | Notional amount |
|---|---|---|---|
| Fair value hedges | 6 096 | 200 477 | 2 237 000 |
| Cash flow hedges | | | |

| **Disclosure on "gain and losses" on existing cash flow hedges** | Carrying amount CFH derivative | Unrealized Gains/Losses - During the period | Cumulative Unrealized Gains/Losses | Release from equity (CFH) to P&L |
|---|---|---|---|---|
| Cash flow hedges - Assets | | | | |
| Cash flow hedges - Liabilities | | | | |
| **CASH FLOW HEDGES - INTEREST RATE CONTRACTS - LIABILITIES** | | | | |
| CF hedges - Interest rate contracts - OTC - Swaps - Liabilities | -8 451 | -6 030 | -8 299 | 6 030 |

CFH derivate carrying amount = Revenue of the swap in 2010.

Unrealised gains or losses – During the reporting period = Variation of the clean Fair Value of the swap in 2010.

Accumulated unrealised gains or losses = Fluctuation of the clean Fair Value of the swap since the introduction of the hedge model.

Recycling from equity to the income statement = Hedging operations in the income statement for 2010.

| **Disclosure on the periods when the hedged transaction's cashflows occur** | RMM0-1 < 1 month | RMM1-3 > 1 month, < 3 months | RMM3-12 > 3 months, < 12 months | RMY 1-5 > 1 year, < 5 years | RMY5 > 5 years |
|---|---|---|---|---|---|
| Cash flow hedges - Assets | | | | | |
| Cash flow hedges - Liabilities | | -354 | | | |
| **CASH FLOW HEDGES - INTEREST RATE CONTRACTS - LIABILITIES** | | | | | |
| CF hedges - Interest rate contracts - OTC - Swaps - Liabilities | | -354 | | | |

The future outgoing cash flows that result from the financing of the loans and advances by the bank are hedged on a quarterly basis. This financing is carried out every three months with an external counterparty. The amount specified on this page matches the next cash flow issued in March 2011.

## 21 / OTHER ASSETS

| **Carrying amount** in '000 EUR | **31.12.2010** | **31.12.2009** |
|---|---|---|
| Employee benefits | 78 422 | 72 012 |
| Servicing assets for servicing rights | | |
| Prepaid charges | 6 793 | 4 685 |
| Accrued income (other than interest income from financial assets) | 4 770 | 4 732 |
| Precious metals, goods and commodities | | |
| Other advances | 1 454 | 2 716 |
| Other | 5 455 | 5 220 |
| **TOTAL** | **96 894** | **89 365** |

## 22 / INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

AXA Bank Europe has the following limited number of subsidiaries:

— AXA Belgium Finance bv (NL);
— Mofico nv;
— Beran nv;
— AXA Hedging Services Limited;
— AXA Bank Europe SCF (Société de Crédit Foncier).

AXA Bank Europe holds a participation of 10% in the SPV Royal Street.

In addition, it also holds a 20% stake in Brand & Licence Company. Alongside AXA Bank Europe, four other banks, each own 20% in this company. The firm aims to manage and license intellectual property rights, whether or not related to payment schemes with cards and all other related transactions.

Each shareholder is, for each 20% tranche of shares held, entitled to one director and the decisions by the Board of Directors must be ratified by 4/5 majority. Because of its low materiality, this company is not included in the consolidation scope.

AXA Belgium Finance bv was included in the consolidation circle. This is a Dutch private limited company, which issues securities and other debt instruments on the Luxembourg securities market.

Changes in the consolidation circle during the financial year 2010:

— A branch was established in France (AXA Bank Europe Paris Branch) in 2010;
— Royal Street SA and AXA Bank Europe SCF are 2 entities that are used by AXA Bank Europe to attract funds in addition to the more traditional forms of retail financing;
— After an initial securitisation operation in 2008 through Royal Street NV, a second operation was started in 2010 that has led to the final issue of covered bonds through AXA Bank Europe SCF (also see page 11 regarding this issuance);
— The structure as it has now been set up does not have a transfer of risk or rewards as a result based on the perspective of AXA Bank Europe and, therefore, both entities were integrally included in the AXA Bank Europe consolidation circuit;
— Sofifo SARL, Imopole SA en Société Foncière de l'hexagone SARL were liquidated on 23 December 2010.

| **Entity**<br>31.12.2010 – in '000 EUR | **Accumulated equity interest (%)** | **Assets** | **Liabilities** | **Profit or loss** | **Reporting date** |
|---|---|---|---|---|---|
| Accounted for by using full consolidation: | | | | | |
| AXA Belgium Finance | 100.00% | 75 773 | 72 964 | -13 | 31.12.10 |
| Royal Street sic | 10.00% | 4 287 137 | 4 246 029 | 597 | 31.12.10 |
| ALEHS | 100.00% | 13 254 | 7 387 | 2 220 | 31.12.10 |
| SCF | 100.00% | 1 515 593 | 1 513 457 | -19 128 | 31.12.10 |

| **Entity**<br>31.12.2010 – in '000 EUR | **Accumulated equity interest (%)** | **Assets** | **Liabilities** | **Profit or loss** | **Reporting date** |
|---|---|---|---|---|---|
| Not accounted for by using full consolidation: | | | | | |
| Beran | 100.00% | 2 135 | 10 | -15 | 31.12.10 |
| Mofico | 100.00% | 8 025 | 4 297 | 618 | 31.12.10 |
| Brand & Licence Cy | 20.00% | 159 | 9 | 19 | 31.12.10 |

## Disclosures on these companies and planned actions for further simplification of the structure of the AXA Bank Europe group

*Motor Finance Company*

Is the vehicle in which investments in self-banking devices are housed, which are leased to agents.

*Beran*

On 22 January 2008 Beran NV bought the residual rights and the ground lease for the real estate located in Berchem, 214 Grote Steenweg, resulting in the termination of co-ownership with Fortis.

## 23 / GOODWILL AND OTHER INTANGIBLE ASSETS

AXA Bank Europe currently has no goodwill.

During 2010 investments were made for the bank in Belgium in internal projects for an amount of EUR 1 671 906.07. In addition, EUR 2 193 792.78 was spent on the management of accountancy applications by the branches.

| **Intangible assets accounted for by using the cost model**<br>31.12.2010 – in '000 EUR | **Good-will** | **Internally developed software** | **Acquired software** | **Other internally developed intangible assets** | **Other intangible assets** | **Total carrying amount** |
|---|---|---|---|---|---|---|
| **Opening balance** | | | **18 530** | | **28** | **18 558** |
| Additions from internal development | | 1 672 | | | | 1 672 |
| Additions from separate acquisition | | | 2 194 | | 131 | 2 325 |
| Adjustments from business combinations | | | | | | |
| Retirement & disposals | | | | | | |
| Transfers to and from non-current assets Held for Sale | | | 20 | | | 20 |
| Adjustments resulting from subsequent recognition of deferred tax assets | | | | | | |
| Amortization recognized | | 35 | 4 095 | | 30 | 4 160 |
| Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity | | | | | | |
| Impairment recognized in profit or loss | | | | | | |
| Impairment reversed in profit or loss | | | | | | |
| Foreign currency translation effects | | | 343 | | | 343 |
| Other movements | | | 178 | | | 178 |
| **Ending balance** | | **1 637** | **17 130** | | **129** | **18 896** |
| Amortization financial year | | 35 | 4 095 | | 30 | |
| Amortization previous year | | | 3 934 | | 1 001 | |
| **Cumulated Amortization** | | **35** | **8 044** | | **1 031** | |
| Recoverable amount | | | | | | |
| Gross amount of impairment of goodwill | | | | | | |
| Accumulated impairment of goodwill | | | | | | |
| Assets held under a finance lease | | | | | | |
| Assets subject to an operating lease | | | | | | |

## Intangible assets accounted for by using the cost model

31.12.2009 – in '000 EUR

| | Goodwill | Internally developed software | Acquired software | Other internally developed intangible assets | Other intangible assets | Total carrying amount |
|---|---|---|---|---|---|---|
| **Opening balance** | | | **10 033** | | **339** | **10 372** |
| Additions from internal development | | | | | | |
| Additions from separate acquisition | | | 11 250 | | | 11 250 |
| Adjustments from business combinations | | | | | | |
| Retirement & disposals | | | | | | |
| Transfers to and from non-current assets Held for Sale | | | | | | |
| Adjustments resulting from subsequent recognition of deferred tax assets | | | | | | |
| Amortization recognized | | | 2 784 | | 311 | 3 095 |
| Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity | | | | | | |
| Impairment recognized in profit or loss | | | | | | |
| Impairment reversed in profit or loss | | | | | | |
| Foreign currency translation effects | | | 31 | | | 31 |
| Other movements | | | | | | |
| **Ending balance** | | | **18 530** | | **28** | **18 558** |
| Amortization financial year | | | 2 784 | | 311 | |
| Amortization previous year | | | 1 149 | | 690 | |
| **Cumulated Amortization** | | | **3 934** | | **1 001** | |
| Recoverable amount | | | | | | |
| Gross amount of impairment of goodwill | | | | | | |
| Accumulated impairment of goodwill | | | | | | |
| Assets held under a finance lease | | | | | | |
| Assets subject to an operating lease | | | | | | |

## 24 / PROPERTY, PLANT AND EQUIPMENT

*Status as at 31 December 2010*

| **PPE measured after recognition using the cost model** 31.12.2010 – in '000 EUR | **Owner-occupied land and building** | **IT equipment** | **Office equipment** | **Other equipment (including cars)** | **Total carrying amount** |
|---|---|---|---|---|---|
| **Opening balance** | **37 521** | **626** | **1 644** | **1 883** | **41 675** |
| Additions | 8 407 | 417 | 1 536 | 298 | 10 658 |
| Acquisition through business combinations | | | | | |
| Disposals | | | | 187 | 187 |
| Disposals through business combinations | | | | | |
| Depreciation | 1 582 | 272 | 333 | 209 | 2 396 |
| Impairment losses recognized in profit or loss | | | | | |
| Impairment losses reversed in profit or loss | | | | | |
| Foreign currency translation effects | | 2 | | -19 | -17 |
| Transfers | | | | | |
| — To and from non-current assets held for sale | | | | | |
| — To and from investment property | | | | | |
| Other changes | | | | -178 | -178 |
| **Closing balance** | **44 346** | **773** | **2 847** | **1 588** | **49 554** |
| **Accumulated depreciation** | **18 692** | **3 364** | **4 063** | **1 636** | **27 755** |
| **Financial year** | **1 582** | **272** | **334** | **209** | **2 397** |
| **Previous year** | **17 111** | **3 092** | **3 729** | **1 427** | **25 359** |
| — Assets held under a finance lease | | | | | |
| — Assets subject to operating lease | | | | | |

*Status as at 31 December 2009*

| **PPE measured after recognition using the cost model** 31.12.2009 – in '000 EUR | **Owner-occupied land and building** | **IT equipment** | **Office equipment** | **Other equipment (including cars)** | **Total carrying amount** |
|---|---|---|---|---|---|
| **Opening balance** | **16 646** | **736** | **1 096** | **1 224** | **19 703** |
| Additions | 21 876 | 239 | 808 | 311 | 23 234 |
| Acquisition through business combinations | | 39 | 6 | 548 | 593 |
| Disposals | | | | 24 | 24 |
| Disposals through business combinations | | | | | |
| Depreciation | 993 | 389 | 266 | 196 | 1 844 |
| Impairment losses recognized in profit or loss | | | | | |
| Impairment losses reversed in profit or loss | | | | | |
| Foreign currency translation effects | | | | 25 | 25 |
| Transfers | | | | | |
| — To and from non-current assets held for sale | | | | | |
| — To and from investment property | | | | | |
| Other changes | -8 | | | -4 | -12 |
| **Closing balance** | **37 521** | **625** | **1 644** | **1 884** | **41 674** |
| **Accumulated depreciation** | **17 111** | **3 092** | **3 729** | **1 468** | **25 400** |
| **Financial year** | **993** | **389** | **266** | **196** | **1 844** |
| **Previous year** | **16 118** | **2 703** | **3 462** | **1 272** | **23 555** |
| — Assets held under a finance lease | | | | | |
| — Assets subject to operating lease | | | | | |

The investments in 2009 and 2010 in sites and buildings for our own use concern the investments in the company's building in Antwerp Berchem.

The disposals of other materials concern the sale of cars at the Hungarian and Czech branches.

## 25 / FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

In the debt certificates we find an issue programme started in 2006 of EMTNs (European Medium Term Note) through AXA Belgium Finance. Here, AXA Bank Europe opted for the so-called fair value option and has therefore recognised these issuances at fair value in the balance sheet.

As at 31 December 2010 this fair value totalled EUR 66 533 895.49 and the nominal amount to be repaid was EUR 73 219 518.04.

The share of own credit risk in the amount of the fair value had a positive impact and resulted in a decrease in fair value on liabilities of EUR 3 371 590.16.

Until 2008, the share of our own credit risk on the fair value was calculated based on the margin applied by AXA Bank Europe on the retail issuances. Since there were no issuances in 2009 and 2010, this was calculated based on the Credit Default Swap on AXA S.A. in 2009 and 2010.

The new method calculates the difference between the spread of the Credit Default Swap on AXA S.A. when the issue takes place for the same duration and the spread of the Credit Default Swap on AXA S.A. on conclusion based on the remaining duration.

This difference leads to the determination of cash flows on each coupon date that are updated to finally determine the share of our own credit risk for each issue.

### Counterparty breakdown

31.12.2010 – in '000 EUR

| | Carrying amount | Amount of cumulative change in fair values attributable to changes in credit risk | Difference between the carrying amount and the amount contractually required to pay at maturity |
|---|---|---|---|
| Deposits from credit institutions | | | |
| — Current accounts/overnight deposits | | | |
| — Deposits with agreed maturity | | | |
| — Deposits redeemable at notice | | | |
| — Other deposits | | | |
| Deposits (other than from credit institutions) | 1 000 | | |
| — Current accounts/overnight deposits | | | |
| — Deposits with agreed maturity | 1 000 | | |
| — Deposits redeemable at notice | | | |
| — Other deposits | | | |
| Debt certificates (including bonds) | 66 534 | 3 372 | 6 686 |
| — Certificates of deposits | | | |
| — Customer saving certificates (also when dematerialised) | | | |
| — Bonds | 66 534 | 3 372 | 6 686 |
| Convertible | | | |
| Non-convertible | 66 534 | 3 372 | 6 686 |
| — Other | | | |
| Subordinated liabilities | | | |
| Other financial liabilities | | | |
| Accrued Expense (if accounted for separately) | | | |
| **TOTAL** | **67 534** | **3 372** | **6 686** |

## Counterparty breakdown

31.12.2009 – in '000 EUR

| Counterparty breakdown | Carrying amount | Amount of cumulative change in fair values attributable to changes in credit risk | Difference between the carrying amount and the amount contractually required to pay at maturity |
|---|---|---|---|
| Deposits from credit institutions | | | |
| — Current accounts/overnight deposits | | | |
| — Deposits with agreed maturity | | | |
| — Deposits redeemable at notice | | | |
| — Other deposits | | | |
| Deposits (other than from credit institutions) | 2 200 | | |
| — Current accounts/overnight deposits | | | |
| — Deposits with agreed maturity | 2 200 | | |
| — Deposits redeemable at notice | | | |
| — Other deposits | | | |
| Debt certificates (including bonds) | 71 651 | 1 505 | 7 121 |
| — Certificates of deposits | | | |
| — Customer saving certificates (also when dematerialised) | | | |
| — Bonds | 71 651 | 1 505 | 7 121 |
| Convertible | | | |
| Non-convertible | 71 651 | 1 505 | 7 121 |
| — Other | | | |
| Subordinated liabilities | | | |
| Other financial liabilities | | | |
| Accrued Expense (if accounted for separately) | | | |
| **TOTAL** | **73 851** | **1 505** | **7 121** |

## 26 / DEPOSITS

### Counterparty breakdown
31.12.2010 – in '000 EUR

| | Central governments | Non credit institutions | Corporate | Retail | Total carrying amount |
|---|---|---|---|---|---|
| Deposits from credit institutions | | | | | 361 374 |
| — Current accounts/overnight deposits | | | | | 2 768 |
| — Deposits with agreed maturity | | | | | 358 574 |
| — Deposits redeemable at notice | | | | | |
| — Other deposits | | | | | 32 |
| Deposits (other than from credit institutions) | 13 923 | 2 549 792 | 2 384 821 | 10 800 802 | 15 749 338 |
| — Current accounts/overnight deposits | 6 137 | 127 445 | 955 258 | 1 837 953 | 2 926 793 |
| — Deposits with agreed maturity | 7 684 | 2 392 685 | 400 013 | 1 062 751 | 3 863 133 |
| — Deposits redeemable at notice | | | | | |
| — Other deposits | 102 | 29 662 | 1 029 550 | 7 900 098 | 8 959 412 |
| Special deposits | | 256 | 83 310 | 25 487 | 109 053 |
| Regulated deposits | 102 | 29 406 | 946 240 | 7 874 611 | 8 850 359 |
| Mortgages related deposits | | | | | |
| Other deposits | | | | | |
| Deposit guarantee system | | | | | |
| Debt certificates (including bonds) | | | | | 1 829 785 |
| — Certificates of deposits | | | | | 458 033 |
| — Customer saving certificates (also when dematerialised) | | | | | 624 875 |
| — Bonds | | | | | 746 877 |
| Convertible | | | | | |
| Non-convertible | | | | | 746 877 |
| — Other | | | | | |
| Subordinated liabilities | | | | | 374 809 |
| Other financial liabilities | | | | | 1 527 685 |
| Accrued expenses (if accounted for separately) | | | | | |
| **TOTAL** | | | | | **19 842 991** |

### Counterparty breakdown
31.12.2009 – in '000 EUR

| | Central governments | Non credit institutions | Corporate | Retail | Total carrying amount |
|---|---|---|---|---|---|
| Deposits from credit institutions | | | | | 1 399 829 |
| — Current accounts/overnight deposits | | | | | 3 669 |
| — Deposits with agreed maturity | | | | | 1 395 982 |
| — Deposits redeemable at notice | | | | | |
| — Other deposits | | | | | 178 |
| Deposits (other than from credit institutions) | 102 889 | 2 868 556 | 1 400 049 | 11 094 081 | 15 465 575 |
| — Current accounts/overnight deposits | 12 401 | 125 231 | 717 657 | 1 247 901 | 2 103 190 |
| — Deposits with agreed maturity | 90 307 | 2 712 425 | 601 737 | 799 196 | 4 203 665 |
| — Deposits redeemable at notice | | | | | |
| — Other deposits | 181 | 30 900 | 80 655 | 9 046 984 | 9 158 720 |
| Special deposits | 104 | 131 | 79 127 | 5 536 | 84 898 |
| Regulated deposits | 77 | 30 769 | 1 528 | 9 041 448 | 9 073 822 |
| Mortgages related deposits | | | | | |
| Other deposits | | | | | |
| Deposit guarantee system | | | | | |
| Debt certificates (including bonds) | | | | | 971 733 |
| — Certificates of deposits | | | | | 142 099 |
| — Customer saving certificates (also when dematerialised) | | | | | 829 634 |
| — Bonds | | | | | |
| Convertible | | | | | |
| Non-convertible | | | | | |
| — Other | | | | | |
| Subordinated liabilities | | | | | 401 179 |
| Other financial liabilities | | | | | 667 167 |
| Accrued expenses (if accounted for separately) | | | | | |
| **TOTAL** | | | | | **18 905 483** |

## 27 / SUBORDINATED LIABILITIES

| Maturity date<br>31.12.2010 – in '000 EUR | Convertible subordinated debts | Non convertible subordinated debts | Other term subordinated debts | Subordinated advances |
|---|---|---|---|---|
| Current year | | | | |
| Current year +1 | | 10 751 | | |
| Current year +2 | | 17 962 | | |
| Current year +3 | | 28 569 | | |
| Current year +4 | | 30 794 | | |
| Current year +5 | | 22 918 | | |
| Current year +6 | | 10 160 | | |
| Current year +7 | | 46 089 | | |
| Current year +8 | | 12 299 | | |
| Current year +9 | | 1 491 | | |
| Current year +10 | | 3 588 | | |
| More than current year +10 | | 13 | | |
| Perpetuals | | 190 175 | | |
| **TOTAL** | | **374 809** | | |

| Maturity date<br>31.12.2009 – in '000 EUR | Convertible subordinated debts | Non convertible subordinated debts | Other term subordinated debts | Subordinated advances |
|---|---|---|---|---|
| Current year | | | | |
| Current year +1 | | 22 725 | 24 960 | |
| Current year +2 | | 10 845 | | |
| Current year +3 | | 17 995 | | |
| Current year +4 | | 28 622 | | |
| Current year +5 | | 30 851 | | |
| Current year +6 | | 22 960 | | |
| Current year +7 | | 10 179 | | |
| Current year +8 | | 46 175 | | |
| Current year +9 | | 1 685 | | |
| Current year +10 | | 1 478 | | |
| More than current year +10 | | | | |
| Perpetuals | | 182 704 | | |
| **TOTAL** | | **376 219** | **24 960** | |

## 28 / TRADING LIABILITIES

| Counterparty breakdown<br>31.12.2010 – in '000 EUR | Carrying amount |
|---|---|
| Deposits from credit institutions | |
| — Current accounts/overnight deposits | |
| — Deposits with agreed maturity | |
| — Deposits redeemable at notice | |
| — Other deposits | |
| Derivatives held for trading | 2 810 610 |
| Short positions | |
| — In equity instruments | |
| — In fixed income instruments | |
| Deposits (other than from credit institutions) | |
| — Current accounts/overnight deposits | |
| — Deposits with agreed maturity | |
| — Deposits redeemable at notice | |
| — Other deposits | |
| Debt certificates (including bonds) | |
| — Certificates of deposits | |
| — Customer saving certificates (also when dematerialised) | |
| — Bonds | |
| Convertible | |
| Non-convertible | |
| — Other | |
| Other financial liabilities | |
| Accrued expenses (if accounted for separately) | |
| **TOTAL** | **2 810 610** |

| Counterparty breakdown<br>31.12.2009 – in '000 EUR | Carrying amount |
|---|---|
| Deposits from credit institutions | |
| — Current accounts/overnight deposits | |
| — Deposits with agreed maturity | |
| — Deposits redeemable at notice | |
| — Other deposits | |
| Derivatives held for trading | 1 661 497 |
| Short positions | |
| — In equity instruments | |
| — In fixed income instruments | |
| Deposits (other than from credit institutions) | |
| — Current accounts/overnight deposits | |
| — Deposits with agreed maturity | |
| — Deposits redeemable at notice | |
| — Other deposits | |
| Debt certificates (including bonds) | |
| — Certificates of deposits | |
| — Customer saving certificates (also when dematerialised) | |
| — Bonds | |
| Convertible | |
| Non-convertible | |
| — Other | |
| Other financial liabilities | |
| Accrued expenses (if accounted for separately) | |
| **TOTAL** | **1 661 497** |

## 29 / OTHER LIABILITIES

| **Carrying amount** in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Employee benefits | | |
| Social security charges | 28 437 | 26 219 |
| Servicing liabilities for servicing rights | | |
| Leasing liabilities | | |
| Accrued charges (other than from interest expenses on financial liabilities) | 13 347 | 9 241 |
| Income received in advance | 1 975 | 1 912 |
| Other debts | 17 411 | 16 695 |
| Other | 210 | 555 |
| **TOTAL** | **61 380** | **54 622** |

## 30 / PROVISIONS

| 31.12.2010 – in '000 EUR | Re-structuring | Provisions for Tax litigation | Pending legal issues | Pensions and other post retirement benefit obligations | Loan commitments and guarantees | Onerous contracts | Other provisions | Total |
|---|---|---|---|---|---|---|---|---|
| **Opening balance** | **731** | **33 876** | **2 365** | **125 290** | **3 656** | | **4 206** | **170 124** |
| Additions | 87 | | 715 | 8 851 | 14 | | 546 | 10 213 |
| Amounts used | | | 105 | 1 814 | 3 | | | 1 922 |
| Unused amounts reversed during the period | 575 | | 396 | 9 186 | 3 312 | | 138 | 13 607 |
| Acquisitions (disposals) through business combination | | | | | | | | |
| Increase in the discounted amount (passage of time) and effect of any change in the discount rate | | | | | | | | |
| Exchange differences | | | | 19 | | | 6 | 25 |
| Other movements | | -3 984 | | 14 158 | | | 3 978 | 14 153 |
| **Closing balance** | **243** | **29 892** | **2 579** | **137 318** | **355** | | **8 598** | **178 985** |

| 31.12.2009 – in '000 EUR | Re-structuring | Provisions for Tax litigation | Pending legal issues | Pensions and other post retirement benefit obligations | Loan commitments and guarantees | Onerous contracts | Other provisions | Total |
|---|---|---|---|---|---|---|---|---|
| **Opening balance** | **1 009** | **33 876** | **2 628** | **116 458** | **3 300** | | **6 584** | **163 855** |
| Additions | 10 | | 392 | 3 998 | 15 | | 2 644 | 7 059 |
| Amounts used | | | 196 | 2 230 | 1 | | 1 903 | 4 330 |
| Unused amounts reversed during the period | 288 | | 96 | 9 233 | 30 | | 1 197 | 10 844 |
| Acquisitions (disposals) through business combination | | | | | | | | |
| Increase in the discounted amount (passage of time) and effect of any change in the discount rate | | | | | | | | |
| Exchange differences | | | | | | | -74 | -74 |
| Other movements | | | -364 | 16 298 | 372 | | -1 849 | 14 457 |
| **Closing balance** | **731** | **33 876** | **2 364** | **125 291** | **3 656** | | **4 205** | **170 123** |

Below are some clarifications about the major components in these provisions at AXA Bank Europe.

### Reorganisation

The social liabilities result from commitments made by ANHYP prior to its merger with IPPA, which created AXA Bank. This involves individual arrangements which mature in 2018 at the latest but for which the largest amount was recognised in the period 2007-2009. In 2010 there was a release of EUR 575 415.65.

### Ongoing legal disputes

This includes a provision for disputes involving agents and former agents (EUR 2 558 634.24). Two important new disputes occurred in 2010 for EUR 1 605 642.36.

In addition there is a provision for disputes with clients or third parties as a result of the credits extended by the bank (EUR 20 792.75). No major new disputes arose in 2010.

Predictions vary about the period of settlement of these disputes and are sometimes difficult to estimate.

### Provisions for tax disputes

This section includes provisions as part of additional taxes charged to the bank, which are contested by the bank. In this context a number of clients claimed compensation from the bank, for which provisions were also recognised.

In the short term no major development is expected in these cases.

### Pensions and other benefit liabilities on the basis of allocated pension schemes

The majority involves the provision in accordance with IAS19 (EUR 106 628 892.45). For further details we refer to the Section "Post-employment benefits and other long-term expenses".

Here the collective scheme is also recognised with respect to the social liabilities referred to under "Reorganisation" (EUR 632 467.57). These will expire at the latest by 2011.

During the financial year 2010 new provisions were created (EUR 7 552 702.36) with respect to exit regulations created as a result of the merger with Winterthur, including a release of EUR 7 505 122.88, increasing the provision to EUR 24 596 857.45 as at 31 December 2010. The provisions are included in the CLA of 7 May 2007 and in the extension of the CLA of 25 November 2009. Since employees aged 50 and over (who meet the criteria) are able to benefit from this regulation, this item will continue to exist for 10 years.

There is, furthermore, one more provision for EUR 1 972 154.06 as on 31 December 2010 for paying time credit. EUR 231 269.46 of this was added and EUR 709 950.27 was released.

### Loan and guarantee liabilities

Involves guarantees provided in 1999 to the purchaser of a large real estate credit portfolio on the part of the bank.

One dispute is still pending. In view of the favourable evolution in 2010, the previously started provision of EUR 3 300 000 was reversed.

### Other provisions

Primarily involves a provision as part of stock monitoring reconciliation of bearer bonds (EUR 1 473 000).

In addition to an amount of EUR 334 282.33 for the provision for compensation claims from clients or third parties by virtue of the credit operations performed by the bank.

## 31 / CONTINGENT LIABILITIES AND COMMITMENTS

| **Off-balance sheet commitments - Notional Amounts** in '000 EUR | **31.12.2010** | **31.12.2009** |
|---|---|---|
| **Loan commitments** | -25 292 336 | -18 981 988 |
| — Given | 940 271 | 888 844 |
| — Received | 26 232 607 | 19 870 832 |
| **Financial guarantees** | -2 251 603 | -2 075 561 |
| — Given | 24 081 | 32 200 |
| — Guarantees received | 2 275 684 | 2 107 761 |
| — Credit derivatives received | | |
| **Other commitments (e.g. note issuance facilities, revolving underwriting facilities...)** | 7 590 763 | 5 074 656 |
| — Given to another counterparty | 10 417 251 | 5 674 200 |
| — Received from another counterparty | 2 826 488 | 599 544 |

By virtue of its off-balance sheet liabilities AXA Bank Europe has three types of liabilities:

— liabilities due to loans;
— financial guarantees;
— other liabilities primarily consisting of assets issued as guarantees as part of the bank's repo activities.

Below we will discuss this in further detail:

### Liabilities due to loans
For the granted liabilities this involves commitments to retail clients (EUR 940 million) of which:

— EUR 358 million relates to credit offers (not yet signed by the client);
— EUR 150 million relates to credit lines on current accounts;
— EUR 432 million relates to the still available client margin on the credit lines granted by the bank.

The risk here is very limited given the diversification of the portfolio and primarily the fact that the credits provided are themselves guaranteed by the client. These can be found under received liabilities, for the most part intangible guarantees (EUR 19 804 million).

### Financial guarantees
Here we find EUR 2 276 million in received personal guarantees as part of personal as well as professional credits.

### Other liabilities
This primarily involves the assets given by the bank as guarantee in the framework of its repo activity (EUR 8 189 million) and compulsory collateral in favour of the National Bank as part of its banking activities (EUR 2 230 million).

### Pledged assets
The only pledged assets are the securities given in repo (also see item 40).

### Deposit protection fund
Currently, there are 2 deposit protection funds in Belgium. The "Protection fund for deposits and financial instruments" that has, especially, been in existence for quite some time and the "Special protection fund for deposits and life insurances" set up due to the Royal Decree of 14 November 2008. Credit amounts of savers (including dematerialised bank bonds) enjoy this protection at their financial institutions.

This security at the disposal of private individuals, associations and small- and medium-sized enterprises was raised to EUR 100 000 due to the Act authorising the government to take measures involving expenditure covering several financial years of 23 December 2009.

Financial institutions must pay an admission contribution to the Special Protection Fund of 10 basis points calculated on the outstanding amounts of these credit amounts. The payment takes place in 2 scales spread 2010 and 2011. In addition, an annual contribution must be paid as from 2011 of 15 basis points. It is important to note that this contribution only amounted to 1.75 basis points previously (before 2008).

The admission contribution that was estimated in 2010 was fully accounted for in the income statement.

Currently, negotiations are taking place with regard to the already existing "Protection fund for deposits and financial instruments" to refund the credit amounts of the fund to the financial institutions as a form of compensation for the increased contributions. Since currently there is still great uncertainty regarding the timing and the exact restitution modalities, nothing was included in the books of AXA Bank Europe regarding this refund.

### *Existing ANHYP plan before 1 July 1983*
Managed in the form of group insurance.
— Plan of the "goal to be reached" type;
— Capital = (N/60 x T – N/40 x F) x 8.15
where:
- N = number of service years (YY;MM) to age 65;
- T = salary without ceiling;
- F = fixed sum.

— Financing only through bonuses by means of successive one-off premiums.

### *Existing ANHYP plan as of 1 July 1983*
Managed in the form of a pension fund.
— Plan of the "goal to be reached" type;
— Capital at age 65 equals: N/40 x (1.5 $T_1$ + 7 $T_2$)
where:
- N = number of service years (YY;MM) to age 65;
- $T_1$ = salary bracket with ceiling;
- $T_2$ = salary bracket above ceiling and limited to a second ceiling.

— Mixed financing contribution/bonus in annual premiums.
Contribution is fixed at 0.5% $T_1$ + 5% $T_2$.
The contribution is paid to the pension fund.

## 32 / POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM STAFF EXPENSES

### Pension commitments

The entire bank population is managed by four plans, each in the form of a committed pension scheme:

— Existing ANHYP plan prior to 1 July 1983;
— Existing ANHYP plan after 1 July 1983 (pension fund);
— Existing IPPA plan;
— New AXA Bank plan;

As a reminder: at the time of the introduction of a new plan those employees still working for the company had the choice between staying with their existing plan or enrolling in the new plan, which explains the existence of these four plans.

The assets included in the plans represent, with the exception of the pension fund below, the reserves of the group insurance taken out with AXA Europe.

The forecasted long-term return of this type of asset is a guaranteed interest of 3.25% (or 4.75% for premiums paid before 1999) + profit sharing.

In the long term we expect an average return of 4.50% for the coming years.

The choice of 4.50% matches the expected yield in the long term of the hedging assets, that is, (primarily) the contracts for group insurances. This figure consists of the interest assured by the insurer (3.25% or 4.75% depending on the issue date of the contracts) increased by the expected profit share of the insurer and with discounts due to concessions.

Since this concerns a hypothesis in the long term, this hypothesis does not have to be changed each year. Should it however emerge that year-after-year this yield is no longer systematically attained (which would mean that there are systematic actuarial losses on the assets), it would be better to correct this hypothesis for the future.

From an historical perspective, should we examine the history of the “gains and losses on assets” of the last years for all group insurance plans for AXA staff in Belgium jointly, there is again nothing that points to the fair yield significantly deviating from 4.50%.

With regard to the pension fund of the Bank, the same hypothesis was selected to ensure uniformity. Since the pension fund will be consolidated soon as far as I am aware to create the group insurances, this hypothesis continues to be plausible for the future.

The breakdown of assets with respect to the ANHYP pension fund is split into 81.28% cash and 18.72% Opportunities Hedges Funds. Here too we maintain a long-term yield of 4.50%.

### *Existing ANHYP plan before 1 July 1983*

Managed in the form of group insurance.
— Plan of the “goal to be reached” type;
— Capital = (N/60 x T – N/40 x F) x 8.15
where:
- N = number of service years (YY;MM) to age 65;
- T = uncapped salary;
- F = lump-sum amount.

— Financing only through bonuses by means of successive one-off premiums.

### *Existing ANHYP plan as of 1 July 1983*

Managed in the form of a pension fund.
— Defined benefit plan;
— Capital at age 65 equals: N/40 x (1.5 $T_1$ + 7 $T_2$)
where:
- N = number of service years (YY;MM) to age 65;
- $T_1$ = uncapped salary bracket;
- $T_2$ = salary package above cap and limited to a second cap.

— Mixed financing contribution/bonus in annual premiums.
Contribution is fixed at 0.5% $T_1$ + 5% $T_2$.
The contribution is paid to the pension fund.

## Retirement pension funds ANHYP - Defined benefit plans

in '000 EUR

| Retirement pension funds ANHYP - Defined benefit plans | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **1. Components of defined benefit plan assets and liabilities** | | |
| 1.1. Net funded, defined benefit plan obligation (asset) | 690 | 669 |
| — 1.1.1. Present value of wholly or partially funded | 2 006 | 1 830 |
| — 1.1.2. ( - ) Fair value, defined benefit plan assets | 1 316 | 1 161 |
| 1.1.2.1. Equity instruments | | |
| 1.1.2.2. Debt instruments | | |
| 1.1.2.3. Property | | |
| 1.1.2.4. Other assets | 1 316 | 1 161 |
| Of which: Property occupied or other assets used by the entity | | |
| Of which: Financial instruments issued by the entity | | |
| 1.2. Present value of wholly unfunded defined benefit obligations | | |
| 1.3. Unrecognised actuarial gains (losses) | | |
| 1.4. Unrecognised past service cost | | |
| 1.5. Amounts not recognised as an asset, due to limits of para 58 (b) | | |
| 1.6. Fair value of any right to reimbursement recognised as an asset | | |
| 1.7. Other amounts recognized in the balance sheet | | |
| **Defined benefit plan obligation (asset), total** | **690** | **669** |
| **2. Expense recognised in profit or loss, total** | **85** | **76** |
| 2.1. Current service cost | 47 | 36 |
| 2.2. Interest cost | 93 | 86 |
| 2.3. ( - ) Expected return on plan assets | -54 | -46 |
| 2.4. ( - ) Expected return on reimbursement rights recognised as asset | | |
| 2.5. Net actuarial loss (gain) recognised | | |
| 2.6. Past service cost | | |
| 2.7. Loss (gain) of any curtailments or settlements | | |
| 2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative | | |
| **Memorandum items** | | |
| Actual return on plan assets | 58 | 38 |
| Actual return on reimbursement rights recognised as assets | | |
| Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense | -73 | -151 |
| Employer estimate of contributions expected to be paid during the next period | | |
| **3. Movements in defined benefit plan obligation for defined benefit plan** | | |
| 3.1. Defined benefit plan obligation, beginning balance | 1 830 | 1 460 |
| 3.2. ( - ) Benefits paid | 46 | |
| 3.3. Current service cost | 47 | 36 |
| 3.4. Interest cost | 93 | 86 |
| 3.5. Actuarial gains and losses, total | 82 | 249 |
| 3.6. Past service cost, total | | |
| 3.7. Increases through business combinations | | |
| 3.8. ( - ) Decreases through business divestiture | | |
| 3.9. Foreign currency exchange increase (decrease) | | |
| 3.10. Contributions paid by plan participants | | |
| 3.11. Other increase (decrease) | | |
| 3.12. Defined benefit plan obligations, Closing balance | 2 006 | 1 831 |
| **4. Principal actuarial assumptions used in defined benefit plans** | | |
| 4.1. Discount rates | 4.30% | 5.00% |
| 4.2. Expected return on plan assets | 4.50% | 4.50% |
| 4.3. Expected rate of salary increases | 3.50% | 3.50% |
| 4.4. Future defined benefit increases | | |
| 4.5. Expected rate of return on reimbursement rights recognised as assets | | |
| 4.6. Medical cost trend rate | | |
| 4.7. Other material actuarial assumptions | | |

### *ANHYP retirement pension fund*

The reconciliation relating to these investments between the beginning and the end of the financial year looks like this:

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Fair value of investments (beginning of financial year) | 1 161 | 1 008 |
| Income from investments | 57 | 38 |
| Contribution by employer | 143 | 115 |
| Contribution by employee | 0 | 0 |
| Paid benefits during year | -46 | 0 |
| Fair value of investments (end of financial year) | 1 315 | 1 161 |

## Special events occuring during the year

| | |
|---|---|
| Were there any amendements or changes to the plan document or agreements that rule the plan? | No |
| Was the plan affected by any mergers or acquisitions or spinoffs? | No |
| Were there any major transfers of employees between entities or lines of business? | No |
| Were there any major restructurations or major movements in the population? | No |
| Was coverage extended to another category of employees or beneficiaries? | No |
| Was coverage reduced and limited to a certain category of employees or beneficiaries? | No |
| Was there a change in the financing method (Contracted out to an insurer or setting up a fund, ...)? | No |
| Was there a major change in the Social Charges paid with regards to this plan? | No |

| Statistics | 2010 |
|---|---|
| Actives - count | 23 |
| Actives - average age | 54 |
| Actives - average service | 34 |
| Actives - average annual salary | 49 |
| Deferred - count | 20 |
| Deferred - average age | 56 |
| Deferred - average annual pension | 1 |
| Retirees - count | |
| Retirees - average age | |
| Retirees - average annual pension | |

| Assumptions | 2010 | 2009 |
|---|---|---|
| Discount rate | 4.3% | 5.0% |
| Salary increase rate | 3.5% | 3.5% |
| Rate of inflation | 2.0% | 2.0% |
| Medical inflation rate | | |
| Pension indexation rate | | |
| Expected return on Plan Assets for N+1 expense (as a percentage) | | |
| Expected return on Separate Assets for N+1 expense (as a percentage) | | |
| *Valuation date of the latest complete valuation (YYYYMMDD)* | *31/12/09* | *31/12/08* |
| *Valuation date of the next complete valuation (YYYYMMDD)* | *31/12/11* | *31/12/10* |
| *Expected Average remaining service Life/EARSL* | *7* | *11* |

| **Items**<br>in '000 EUR | Reconciliation of Defined Benefit Obligation (DBO)<br>(a) | Reconciliation of Fair Value of Plan Assets under IFRS<br>(b) | Reconciliation of Fair Value of Separate Assets under IFRS<br>(c) | Reconciliation of Total Assets<br>(d)=(b)+(c) |
|---|---|---|---|---|
| **Previous year closing** | **1 830** | | **1 161** | **1 161** |
| Value at beginning of year | 1 830 | | 1 161 | 1 161 |
| Service Cost | 47 | | | |
| Employee Contributions | | | | |
| Interest Cost | 93 | | | |
| Expected Return on Assets (net of investment tax if any) | | | 54 | 54 |
| Actuarial Loss/Gain due to Experience | -5 | | 3 | 3 |
| Actuarial Loss/Gain due to Change in Assumptions | 87 | | | |
| Plan Amendment | | | | |
| Net Gain/Loss amortization | | | | |
| Net Transition Obligation/Asset amortization | | | | |
| Net Past Service Cost amortization | | | | |
| Curtailments | | | | |
| Settlements | | | | |
| Change in asset ceiling | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | |
| Transfer from Separate Assets to Plan Assets | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | |
| Employer Contributions to Plan Assets | | | | |
| Employer Contributions to Separate Assets | | | 143 | 143 |
| Benefits directly paid by the employer (enter as negative) | | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | |
| Benefits paid from Separate Assets (enter as negative) | -46 | | -46 | -46 |
| Local change FX effect | | | | |
| Foreign Exchange variance | | | | |
| **Value at end of year** | **2 006** | | **1 315** | **1 315** |

| **Items** in '000 EUR | Funded Status under IFRS (unfunded if positive) (e)=(a)-(b) | Unrecognized Past Service Cost / (Asset) under IFRS (f) | Assets not recognized due to asset ceiling under IFRS (g) | SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h) | Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g) | 2010 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c) | Expected Year N+1 Pension Expense / (Income) under IFRS |
|---|---|---|---|---|---|---|---|
| **Previous year closing** | **1 830** | | | **-151** | **1 830** | | |
| Value at beginning of year | 1 830 | | | -151 | 1 830 | | |
| Service Cost | 47 | | | | 47 | 47 | 45 |
| Employee Contributions | | | | | | | |
| Interest Cost | 93 | | | | 93 | 93 | 88 |
| Expected Return on Assets (net of investment tax if any) | | | | | | -54 | -60 |
| Actuarial Loss/Gain due to Experience | -5 | | | -8 | -5 | | |
| Actuarial Loss/Gain due to Change in Assumptions | 87 | | | 87 | 87 | | |
| Plan Amendment | | | | | | | |
| Net Gain/Loss amortization | | | | | | | |
| Net Transition Obligation/Asset amortization | | | | | | | |
| Net Past Service Cost amortization | | | | | | | |
| Curtailments | | | | | | | |
| Settlements | | | | | | | |
| Change in asset ceiling | | | | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | | | | |
| Transfer from Separate Assets to Plan Assets | | | | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | | | | |
| Employer Contributions to Plan Assets | | | | | | | |
| Employer Contributions to Separate Assets | | | | | | | |
| Benefits directly paid by the employer (enter as negative) | | | | | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | | | | |
| Benefits paid from Separate Assets (enter as negative) | -46 | | | | -46 | | |
| Local change FX effect | | | | | | | |
| Foreign Exchange variance | | | | | | | |
| **Value at end of year** | **2 006** | | | **-72** | **2 006** | **86** | **73** |

| Sensitivity analysis | 2010 |
|---|---|
| DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -3.24% |
| DBO's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 3.35% |
| DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 1.57% |
| DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 3.70% |
| DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -3.14% |
| Service cost's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 3.24% |
| Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 5.00% |
| Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 1.78% |

| Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants) | 2010 |
|---|---|
| Estimated future benefits paid - year N+1 | 116 |
| Estimated future benefits paid - year N+2 | 282 |
| Estimated future benefits paid - year N+3 | 400 |
| Estimated future benefits paid - year N+4 | 73 |
| Estimated future benefits paid - year N+5 | 387 |
| Cumulative estimated future benefits paid - From year N+6 to year N+10 | 1 118 |
| Estimated future benefit payments - From year N+11 until the last benefit payment is paid | 706 |

| | 2011 |
|---|---|
| Expected employer contributions to Plan Assets | |
| Expected employer contributions to Separate Assets | 52 |

| Historical overview | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Defined benefit obligation | | 2 006.00 | 1 830.30 | 1 459.75 | 1 401.93 | 2 456.80 |
| Fair value assets | | 1 316.13 | 1 160.98 | 1 007.94 | 945.49 | 1 578.15 |
| Surplus or deficit | | 689.87 | 669.32 | 451.82 | 456.44 | 878.65 |
| Actuarial gain/loss | | -4.92 | 93.38 | | | |
| Gain/Loss due to change in assumptions | | 87.04 | 155.87 | | | |
| Contributions in next year: | | | | | | |
| — by the employer | 51.70 | | | | | |
| — by the employee | 0.00 | | | | | |

## Pension funds ANHYP - Defined benefit plans

in '000 EUR

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **1. Components of defined benefit plan assets and liabilities** | | |
| 1.1. Net funded, defined benefit plan obligation (asset) | 459 | 455 |
| — 1.1.1. Present value of wholly or partially funded | 12 475 | 12 006 |
| — 1.1.2. ( - ) Fair value, defined benefit plan assets | 12 016 | 11 551 |
| 1.1.2.1. Equity instruments | | |
| 1.1.2.2. Debt instruments | | |
| 1.1.2.3. Property | | |
| 1.1.2.4. Other assets | 12 016 | 11 551 |
| Of which: Property occupied or other assets used by the entity | | |
| Of which: Financial instruments issued by the entity | | |
| 1.2. Present value of wholly unfunded defined benefit obligations | | |
| 1.3. Unrecognised actuarial gains (losses) | | |
| 1.4. Unrecognised past service cost | | |
| 1.5. Amounts not recognised as an asset, due to limits of para 58 (b) | | |
| 1.6. Fair value of any right to reimbursement recognised as an asset | | |
| 1.7. Other amounts recognized in the balance sheet | | |
| **Defined benefit plan obligation (asset), total** | **459** | **455** |
| **2. Expense recognised in profit or loss, total** | **197** | **192** |
| 2.1. Current service cost | 115 | 129 |
| 2.2. Interest cost | 593 | 610 |
| 2.3. ( - ) Expected return on plan assets | -511 | -547 |
| 2.4. ( - ) Expected return on reimbursement rights recognised as asset | | |
| 2.5. Net actuarial loss (gain) recognised | | |
| 2.6. Past service cost | | |
| 2.7. Loss (gain) of any curtailments or settlements | | |
| 2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative | | |
| **Memorandum items** | | |
| Actual return on plan assets | 854 | 44 |
| Actual return on reimbursement rights recognised as assets | | |
| Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense | -168 | -161 |
| Employer estimate of contributions expected to be paid during the next period | | |
| **3. Movements in defined benefit plan obligation for defined benefit plan** | | |
| 3.1. Defined benefit plan obligation, beginning balance | 12 006 | 10 813 |
| 3.2. ( - ) Benefits paid | 618 | 1 224 |
| 3.3. Current service cost | 115 | 129 |
| 3.4. Interest cost | 593 | 610 |
| 3.5. Actuarial gains and losses, total | 336 | 1 639 |
| 3.6. Past service cost, total | | |
| 3.7. Increases through business combinations | | |
| 3.8. ( - ) Decreases through business divestiture | | |
| 3.9. Foreign currency exchange increase (decrease) | | |
| 3.10. Contributions paid by plan participants | 43 | 39 |
| 3.11. Other increase (decrease) | | |
| 3.12. Defined benefit plan obligations, Closing balance | 12 475 | 12 006 |
| **4. Principal actuarial assumptions used in defined benefit plans** | | |
| 4.1. Discount rates | 4.30% | 5.00% |
| 4.2. Expected return on plan assets | 4.50% | 4.50% |
| 4.3. Expected rate of salary increases | 3.50% | 3.50% |
| 4.4. Future defined benefit increases | | |
| 4.5. Expected rate of return on reimbursement rights recognised as assets | | |
| 4.6. Medical cost trend rate | | |
| 4.7. Other material actuarial assumptions | | |

### *ANHYP benefit fund*

The investments intended to cover future pension commitments for the ANHYP pension fund are broken down into the following compartments:

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Shares | | |
| Bonds | | |
| Real estate | | |
| Other investments | 100.00% | 100.00% |

The reconciliation relating to these investments between beginning and end of the financial year looks like this:

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Fair value of investments (beginning of financial year) | 11 551 | 12 603 |
| Income from investments | 854 | 44 |
| Contribution by employer | 187 | 88 |
| Contribution by employee | 43 | 39 |
| Paid benefits during year | -618 | -1 223 |
| Fair value of fund investments (end of financial year) | 12 017 | 11 551 |

## Special events occuring during the year

| | |
|---|---|
| Were there any amendements or changes to the plan document or agreements that rule the plan? | No |
| Was the plan affected by any mergers or acquisitions or spinoffs? | No |
| Were there any major transfers of employees between entities or lines of business? | No |
| Were there any major restructurations or major movements in the population? | No |
| Was coverage extended to another category of employees or beneficiaries? | No |
| Was coverage reduced and limited to a certain category of employees or beneficiaries? | No |
| Was there a change in the financing method (Contracted out to an insurer or setting up a fund, ...)? | No |
| Was there a major change in the Social Charges paid with regards to this plan? | No |

| Statistics | 2010 |
|---|---|
| Actives - count | 102 |
| Actives - average age | 48 |
| Actives - average service | 22 |
| Actives - average annual salary | 51 |
| Deferred - count | 394 |
| Deferred - average age | 46 |
| Deferred - average annual pension | 2 |
| Retirees - count | 59 |
| Retirees - average age | 83 |
| Retirees - average annual pension | 3 |

| Assumptions | 2010 | 2009 |
|---|---|---|
| Discount rate | 4.3% | 5.0% |
| Salary increase rate | 3.5% | 3.5% |
| Rate of inflation | 2.0% | 2.0% |
| Medical inflation rate | | |
| Pension indexation rate | | |
| Expected return on Plan Assets for N+1 expense (as a percentage) | | |
| Expected return on Separate Assets for N+1 expense (as a percentage) | | |
| *Valuation date of the latest complete valuation (YYYYMMDD)* | *31/12/09* | *31/12/08* |
| *Valuation date of the next complete valuation (YYYYMMDD)* | *31/12/11* | *31/12/10* |
| *Expected Average remaining service Life/EARSL* | *21* | *18* |

| **Items** in '000 EUR | **Reconciliation of Defined Benefit Obligation (DBO) (a)** | **Reconciliation of Fair Value of Plan Assets under IFRS (b)** | **Reconciliation of Fair Value of Separate Assets under IFRS (c)** | **Reconciliation of Total Assets (d)=(b)+(c)** |
|---|---|---|---|---|
| **Previous year closing** | **12 006** | **11 550** | | **11 550** |
| Value at beginning of year | 12 006 | 11 551 | | 11 551 |
| Service Cost | 158 | | | |
| Employee Contributions | | 43 | | 43 |
| Interest Cost | 593 | | | |
| Expected Return on Assets (net of investment tax if any) | | 511 | | 511 |
| Actuarial Loss/Gain due to Experience | -637 | 343 | | 343 |
| Actuarial Loss/Gain due to Change in Assumptions | 973 | | | |
| Plan Amendment | | | | |
| Net Gain/Loss amortization | | | | |
| Net Transition Obligation/Asset amortization | | | | |
| Net Past Service Cost amortization | | | | |
| Curtailments | | | | |
| Settlements | | | | |
| Change in asset ceiling | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | |
| Transfer from Separate Assets to Plan Assets | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | |
| Employer Contributions to Plan Assets | | 187 | | 187 |
| Employer Contributions to Separate Assets | | | | |
| Benefits directly paid by the employer (enter as negative) | | | | |
| Benefits paid from Plan Assets (enter as negative) | -618 | -618 | | -618 |
| Benefits paid from Separate Assets (enter as negative) | | | | |
| Local change FX effect | | | | |
| Foreign Exchange variance | | | | |
| **Value at end of year** | **12 475** | **12 017** | | **12 017** |

| **Items** in '000 EUR | Funded Status under IFRS (unfunded if positive) (e)=(a)-(b) | Unrecognized Past Service Cost / (Asset) under IFRS (f) | Assets not recognized due to asset ceiling under IFRS (g) | SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h) | Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g) | 2010 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c) | Expected Year N+1 Pension Expense / (Income) under IFRS |
|---|---|---|---|---|---|---|---|
| **Previous year closing** | **455** | | | **-162** | **455** | | |
| Value at beginning of year | 455 | | | -161 | 455 | | |
| Service Cost | 158 | | | | 158 | 158 | 205 |
| Employee Contributions | -43 | | | | -43 | -43 | -44 |
| Interest Cost | 593 | | | | 593 | 593 | 534 |
| Expected Return on Assets (net of investment tax if any) | -511 | | | | -511 | -511 | -530 |
| Actuarial Loss/Gain due to Experience | -980 | | | -980 | -980 | | |
| Actuarial Loss/Gain due to Change in Assumptions | 973 | | | 973 | 973 | | |
| Plan Amendment | | | | | | | |
| Net Gain/Loss amortization | | | | | | | |
| Net Transition Obligation/Asset amortization | | | | | | | |
| Net Past Service Cost amortization | | | | | | | |
| Curtailments | | | | | | | |
| Settlements | | | | | | | |
| Change in asset ceiling | | | | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | | | | |
| Transfer from Separate Assets to Plan Assets | | | | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | | | | |
| Employer Contributions to Plan Assets | -187 | | | | -187 | | |
| Employer Contributions to Separate Assets | | | | | | | |
| Benefits directly paid by the employer (enter as negative) | | | | | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | | | | |
| Benefits paid from Separate Assets (enter as negative) | | | | | | | |
| Local change FX effect | | | | | | | |
| Foreign Exchange variance | | | | | | | |
| **Value at end of year** | **458** | | | **-168** | **458** | **197** | **165** |

| **Sensitivity analysis** | **2010** |
|---|---|
| DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -6.04% |
| DBO's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 6.43% |
| DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 2.38% |
| DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 4.77% |
| DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -9.18% |
| Service cost's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 9.77% |
| Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 6.45% |
| Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 2.69% |

| **Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants)** | **2010** |
|---|---|
| Estimated future benefits paid - year N+1 | 2 676 |
| Estimated future benefits paid - year N+2 | 684 |
| Estimated future benefits paid - year N+3 | 1 052 |
| Estimated future benefits paid - year N+4 | 798 |
| Estimated future benefits paid - year N+5 | 882 |
| Cumulative estimated future benefits paid - From year N+6 to year N+10 | 4 143 |
| Estimated future benefit payments - From year N+11 until the last benefit payment is paid | |

| | **2011** |
|---|---|
| Expected employer contributions to Plan Assets | |
| Expected employer contributions to Separate Assets | |

| **Historical overview** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|---|
| Defined benefit obligation | | 12 475.12 | 12 006.15 | 10 812.61 | 11 531.76 | 12 739.01 |
| Fair value assets | | 12 016.46 | 11 551.02 | 12 602.93 | 15 048.19 | 14 969.06 |
| Surplus or deficit | | 458.66 | 455.13 | -1 790.32 | -3 516.43 | -2 230.06 |
| Actuarial gain/loss | | -636.89 | 611.21 | | | |
| Gain/Loss due to change in assumptions | | 973.15 | 1 027.36 | | | |
| Contributions in next year: | | | | | | |
| — by the employer | 0.00 | | | | | |
| — by the employee | 44.16 | | | | | |

### *Existing IPPA plan*

Managed in the form of group insurance.

— Defined benefit plan;

— Capital at age 60 (maturity date of the contract) equals: N/40 x (2 $T_1$ + 7.35 $T_2$)
where:
- N = length of service (YY; MM) to age 60;
- $T_1$ = capped salary bracket;
- $T_2$ = salary bracket above this cap.

— Financing only through bonuses by means of successive one-off premiums.

## IPPA - Defined benefit plans

in ‘000 EUR

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **1. Components of defined benefit plan assets and liabilities** | | |
| 1.1. Net funded, defined benefit plan obligation (asset) | 4 469 | 4 957 |
| — 1.1.1. Present value of wholly or partially funded | 45 704 | 44 681 |
| — 1.1.2. ( - ) Fair value, defined benefit plan assets | 41 234 | 39 724 |
| 1.1.2.1. Equity instruments | | |
| 1.1.2.2. Debt instruments | | |
| 1.1.2.3. Property | | |
| 1.1.2.4. Other assets | 41 234 | 39 724 |
| Of which: Property occupied or other assets used by the entity | | |
| Of which: Financial instruments issued by the entity | | |
| 1.2. Present value of wholly unfunded defined benefit obligations | | |
| 1.3. Unrecognised actuarial gains (losses) | | |
| 1.4. Unrecognised past service cost | | |
| 1.5. Amounts not recognised as an asset, due to limits of para 58 (b) | | |
| 1.6. Fair value of any right to reimbursement recognised as an asset | | |
| 1.7. Other amounts recognized in the balance sheet | | |
| **Defined benefit plan obligation (asset), total** | **4 469** | **4 957** |
| **2. Expense recognised in profit or loss, total** | **1 934** | **2 116** |
| 2.1. Current service cost | 1 501 | 1 457 |
| 2.2. Interest cost | 2 225 | 2 414 |
| 2.3. ( - ) Expected return on plan assets | 1 792 | -1 755 |
| 2.4. ( - ) Expected return on reimbursement rights recognised as asset | | |
| 2.5. Net actuarial loss (gain) recognised | | |
| 2.6. Past service cost | | |
| 2.7. Loss (gain) of any curtailments or settlements | | |
| 2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative | | |
| **Memorandum items** | | |
| Actual return on plan assets | 1 290 | 1 553 |
| Actual return on reimbursement rights recognised as assets | | |
| Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense | -1 110 | -2 309 |
| Employer estimate of contributions expected to be paid during the next period | | |
| **3. Movements in defined benefit plan obligation for defined benefit plan** | | |
| 3.1. Defined benefit plan obligation, beginning balance | 44 681 | 41 543 |
| 3.2. ( - ) Benefits paid | 3 400 | 4 246 |
| 3.3. Current service cost | 1 501 | 1 457 |
| 3.4. Interest cost | 2 225 | 2 414 |
| 3.5. Actuarial gains and losses, total | 696 | 3 514 |
| 3.6. Past service cost, total | | |
| 3.7. Increases through business combinations | | |
| 3.8. ( - ) Decreases through business divestiture | | |
| 3.9. Foreign currency exchange increase (decrease) | | |
| 3.10. Contributions paid by plan participants | | |
| 3.11. Other increase (decrease) | | |
| 3.12. Defined benefit plan obligations, Closing balance | 45 704 | 44 682 |
| **4. Principal actuarial assumptions used in defined benefit plans** | | |
| 4.1. Discount rates | 4.30% | 5.00% |
| 4.2. Expected return on plan assets | 4.50% | 4.50% |
| 4.3. Expected rate of salary increases | 3.50% | 3.50% |
| 4.4. Future defined benefit increases | | |
| 4.5. Expected rate of return on reimbursement rights recognised as assets | | |
| 4.6. Medical cost trend rate | | |
| 4.7. Other material actuarial assumptions | | |

The existing IPPA plan is an insurance contract concluded with AXA Belgium Insurance.

As part of the management of its insurance activities, AXA Belgium invests the paid premiums of AXA Bank Europe in various types of investments. The investment relating to payments by AXA Bank Europe and are recognised in the AXA Belgium balance sheet consist primarily of shares, bonds and real estate.

The reconciliation relating to these investments between beginning and end of the financial year looks like this:

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Fair value of investments (beginning of financial year) | 39 724 | 39 791 |
| Income from investments | 1 289 | 1 553 |
| Contribution by the employer | 3 621 | 2 627 |
| Contribution by the employee | | |
| Paid benefits during the year | -3 400 | -4 246 |
| Fair value of investments (end of financial year) | 41 234 | 39 724 |

| Special events occuring during the year | |
|---|---|
| Were there any amendements or changes to the plan document or agreements that rule the plan? | No |
| Was the plan affected by any mergers or acquisitions or spinoffs? | No |
| Were there any major transfers of employees between entities or lines of business? | No |
| Were there any major restructurations or major movements in the population? | No |
| Was coverage extended to another category of employees or beneficiaries? | No |
| Was coverage reduced and limited to a certain category of employees or beneficiaries? | No |
| Was there a change in the financing method (Contracted out to an insurer or setting up a fund, ...)? | No |
| Was there a major change in the Social Charges paid with regards to this plan? | No |

| Statistics | 2010 | 2009 |
|---|---|---|
| Actives - count | 390 | 389 |
| Actives - average age | 53 | 52 |
| Actives - average service | 29 | 28 |
| Actives - average annual salary | 55 | 55 |
| Deferred - count | | |
| Deferred - average age | | |
| Deferred - average annual pension | | |
| Retirees - count | | |
| Retirees - average age | | |
| Retirees - average annual pension | | |

| Assumptions | 2010 | 2009 |
|---|---|---|
| Discount rate | 4.3% | 5.0% |
| Salary increase rate | 3.5% | 3.5% |
| Rate of inflation | 2.0% | 2.0% |
| Medical inflation rate | | |
| Pension indexation rate | | |
| Expected return on Plan Assets for N+1 expense (as a percentage) | | |
| Expected return on Separate Assets for N+1 expense (as a percentage) | | |
| *Valuation date of the latest complete valuation (YYYYMMDD)* | *31/12/09* | *31/12/08* |
| *Valuation date of the next complete valuation (YYYYMMDD)* | *31/12/11* | *31/12/10* |
| *Expected Average remaining service Life/EARSL* | *7* | *7* |

| Items<br>in '000 EUR | Reconciliation of Defined Benefit Obligation (DBO)<br>(a) | Reconciliation of Fair Value of Plan Assets under IFRS<br>(b) | Reconciliation of Fair Value of Separate Assets under IFRS<br>(c) | Reconciliation of Total Assets<br>(d)=(b)+(c) |
|---|---|---|---|---|
| **Previous year closing** | **44 681** | | **39 725** | **39 725** |
| Value at beginning of year | 44 681 | | 39 724 | 39 724 |
| Service Cost | 1 501 | | | |
| Employee Contributions | | | | |
| Interest Cost | 2 225 | | | |
| Expected Return on Assets (net of investment tax if any) | | | 1 792 | 1 792 |
| Actuarial Loss/Gain due to Experience | -1 210 | | -503 | -503 |
| Actuarial Loss/Gain due to Change in Assumptions | 1 906 | | | |
| Plan Amendment | | | | |
| Net Gain/Loss amortization | | | | |
| Net Transition Obligation/Asset amortization | | | | |
| Net Past Service Cost amortization | | | | |
| Curtailments | | | | |
| Settlements | | | | |
| Change in asset ceiling | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | |
| Transfer from Separate Assets to Plan Assets | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | |
| Employer Contributions to Plan Assets | | | | |
| Employer Contributions to Separate Assets | | | 3 621 | 3 621 |
| Benefits directly paid by the employer (enter as negative) | | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | |
| Benefits paid from Separate Assets (enter as negative) | -3 400 | | -3 400 | -3 400 |
| Local change FX effect | | | | |
| Foreign Exchange variance | | | | |
| **Value at end of year** | **45 703** | | **41 234** | **41 234** |

| **Items** in '000 EUR | Funded Status under IFRS (unfunded if positive) (e)=(a)-(b) | Unrecognized Past Service Cost / (Asset) under IFRS (f) | Assets not recognized due to asset ceiling under IFRS (g) | SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h) | Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g) | 2010 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c) | Expected Year N+1 Pension Expense / (Income) under IFRS |
|---|---|---|---|---|---|---|---|
| **Previous year closing** | **44 682** | | | **-2 309** | **44 682** | | |
| Value at beginning of year | 44 681 | | | -2 309 | 44 681 | | |
| Service Cost | 1 501 | | | | 1 501 | 1 501 | 1 512 |
| Employee Contributions | | | | | | | |
| Interest Cost | 2 225 | | | | 2 225 | 2 225 | 2 000 |
| Expected Return on Assets (net of investment tax if any) | | | | | | -1 792 | -1 890 |
| Actuarial Loss/Gain due to Experience | -1 210 | | | -707 | -1 210 | | |
| Actuarial Loss/Gain due to Change in Assumptions | 1 906 | | | 1 906 | 1 906 | | |
| Plan Amendment | | | | | | | |
| Net Gain/Loss amortization | | | | | | | |
| Net Transition Obligation/Asset amortization | | | | | | | |
| Net Past Service Cost amortization | | | | | | | |
| Curtailments | | | | | | | |
| Settlements | | | | | | | |
| Change in asset ceiling | | | | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | | | | |
| Transfer from Separate Assets to Plan Assets | | | | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | | | | |
| Employer Contributions to Plan Assets | | | | | | | |
| Employer Contributions to Separate Assets | | | | | | | |
| Benefits directly paid by the employer (enter as negative) | | | | | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | | | | |
| Benefits paid from Separate Assets (enter as negative) | -3 400 | | | | -3 400 | | |
| Local change FX effect | | | | | | | |
| Foreign Exchange variance | | | | | | | |
| **Value at end of year** | **45 703** | | | **-1 110** | **45 703** | **1 934** | **1 622** |

| **Sensitivity analysis** | **2010** |
|---|---|
| DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -3.10% |
| DBO's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 3.19% |
| DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 3.21% |
| DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 6.20% |
| DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -3.92% |
| Service cost's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 3.97% |
| Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 7.50% |
| Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 4.00% |

| Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants) | 2010 |
|---|---|
| Estimated future benefits paid - year N+1 | 2 582 |
| Estimated future benefits paid - year N+2 | 5 510 |
| Estimated future benefits paid - year N+3 | 7 053 |
| Estimated future benefits paid - year N+4 | 4 472 |
| Estimated future benefits paid - year N+5 | 6 623 |
| Cumulative estimated future benefits paid - From year N+6 to year N+10 | 17 677 |
| Estimated future benefit payments - From year N+11 until the last benefit payment is paid | 36 170 |

| | 2011 |
|---|---|
| Expected employer contributions to Plan Assets | |
| Expected employer contributions to Separate Assets | 2 974 |

| Historical overview | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Defined benefit obligation | | 45 703.77 | 44 680.75 | 41 543.32 | 41 039.15 | 41 973.82 |
| Fair value assets | | 41 234.46 | 39 723.55 | 39 790.69 | 37 197.93 | 37 293.10 |
| Surplus or deficit | | 4 469.31 | 4 957.21 | 1 752.63 | 3 841.22 | 4 680.72 |
| Actuarial gain/loss | | -1 209.59 | 1 085.39 | | | |
| Gain/Loss due to change in assumptions | | 1 906.34 | 2 428.50 | | | |
| Contributions in next year: | | | | | | |
| — by the employer | 2 974.43 | | | | | |
| — by the employee | 0.00 | | | | | |

### *New AXA Bank Europe plan*

Managed in the form of group insurance.

Two plans exist alongside each other: a plan for staff (a) and a plan for directors (b).

**(a) Defined benefit plan**

— Capital at age 60 (maturity date of the contract) equals:
  $N/40 \times (3\ T_1 + 8\ T_2)$
  where:
  - N = number of service years (YY; MM) to age 60;
  - $T_1$ = capped salary bracket;
  - $T_2$ = salary bracket above this cap.

— Mixed financing contribution/bonus in annual premiums. Contributions depend on seniority and are determined at: 1.5% or 2% or 2.5% or 3% x $T_1$ + 5% x $T_2$ depending on seniority per 10-year period.

**(b) Plan of “goal to be reached” type**

— Capital at age 60 year equals:
  $N/40 \times (2.2\ T_1 + 8.8\ T_2)$
  where:
  - N = number of service years (YY; MM) to age 60;
  - $T_1$ = capped salary bracket;
  - $T_2$ = salary bracket above this cap.

— Mixed financing contribution/bonus in annual premiums. The contribution depends on seniority and is determined at: 0.5% or 1% or 1.5% or 2% x $T_1$ + 5% x $T_2$ depending on seniority per 10-year period.

## NASH - Defined benefit plans

in '000 EUR

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **1. Components of defined benefit plan assets and liabilities** | | |
| 1.1. Net funded, defined benefit plan obligation (asset) | 15 057 | 9 834 |
| — 1.1.1. Present value of wholly or partially funded | 48 944 | 38 978 |
| — 1.1.2. ( - ) Fair value, defined benefit plan assets | 33 886 | 29 144 |
| 1.1.2.1. Equity instruments | | |
| 1.1.2.2. Debt instruments | | |
| 1.1.2.3. Property | | |
| 1.1.2.4. Other assets | 33 886 | 29 144 |
| Of which: Property occupied or other assets used by the entity | | |
| Of which: Financial instruments issued by the entity | | |
| 1.2. Present value of wholly unfunded defined benefit obligations | | |
| 1.3. Unrecognised actuarial gains (losses) | | |
| 1.4. Unrecognised past service cost | | |
| 1.5. Amounts not recognised as an asset, due to limits of para 58 (b) | | |
| 1.6. Fair value of any right to reimbursement recognised as an asset | | |
| 1.7. Other amounts recognized in the balance sheet | | |
| **Defined benefit plan obligation (asset), total** | **15 057** | **9 834** |
| **2. Expense recognised in profit or loss, total** | **2 195** | **1 946** |
| 2.1. Current service cost | 1 517 | 1 116 |
| 2.2. Interest cost | 2 070 | 2 010 |
| 2.3. ( - ) Expected return on plan assets | -1 391 | -1 180 |
| 2.4. ( - ) Expected return on reimbursement rights recognised as asset | | |
| 2.5. Net actuarial loss (gain) recognised | | |
| 2.6. Past service cost | | |
| 2.7. Loss (gain) of any curtailments or settlements | | |
| 2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative | | |
| **Memorandum items** | | |
| Actual return on plan assets | 1 155 | 1 067 |
| Actual return on reimbursement rights recognised as assets | | |
| sed<br>income and expense | 5 438 | -345 |
| Employer estimate of contributions expected to be paid during the next period | | |
| **3. Movements in defined benefit plan obligation for defined benefit plan** | | |
| 3.1. Defined benefit plan obligation, beginning balance | 38 978 | 32 675 |
| 3.2. ( - ) Benefits paid | 127 | 1 236 |
| 3.3. Current service cost | 1 517 | 1 116 |
| 3.4. Interest cost | 2 070 | 2 010 |
| 3.5. Actuarial gains and losses, total | 5 547 | 3 524 |
| 3.6. Past service cost, total | | |
| 3.7. Increases through business combinations | | |
| 3.8. ( - ) Decreases through business divestiture | | |
| 3.9. Foreign currency exchange increase (decrease) | | |
| 3.10. Contributions paid by plan participants | 959 | 888 |
| 3.11. Other increase (decrease) | | |
| 3.12. Defined benefit plan obligations, Closing balance | 48 944 | 38 977 |
| **4. Principal actuarial assumptions used in defined benefit plans** | | |
| 4.1. Discount rates | 4.30% | 5.00% |
| 4.2. Expected return on plan assets | 4.50% | 4.50% |
| 4.3. Expected rate of salary increases | 3.50% | 3.50% |
| 4.4. Future defined benefit increases | | |
| 4.5. Expected rate of return on reimbursement rights recognised as assets | | |
| 4.6. Medical cost trend rate | | |
| 4.7. Other material actuarial assumptions | | |

The new AXA Bank Europe plan is an insurance contract concluded with AXA Belgium Insurance.

As part of the management of its insurance activities, AXA Belgium invests paid premiums of AXA Bank Europe in various types of investments. Investments involving payments by AXA Bank Belgium and recognised in the AXA Europe balance sheet consists primarily of shares, bonds and real estate.

The reconciliation relating to these investments between the beginning and the end of the financial year looks like this:

| in '000 EUR | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Fair value of investments (beginning a financial year) | 29 144 | 24 391 |
| Income from investments | 1 155 | 1 067 |
| Contribution by employer | 2 755 | 4 034 |
| Contribution by employee | 959 | 888 |
| Paid benefits during the year | -127 | -1 236 |
| Fair value of investments (end of financial year) | 33 886 | 29 144 |

## Special events occuring during the year

| | |
|---|---|
| Were there any amendements or changes to the plan document or agreements that rule the plan? | No |
| Was the plan affected by any mergers or acquisitions or spinoffs? | No |
| Were there any major transfers of employees between entities or lines of business? | No |
| Were there any major restructurations or major movements in the population? | No |
| Was coverage extended to another category of employees or beneficiaries? | No |
| Was coverage reduced and limited to a certain category of employees or beneficiaries? | No |
| Was there a change in the financing method (Contracted out to an insurer or setting up a fund, ...)? | No |
| Was there a major change in the Social Charges paid with regards to this plan? | No |

## Statistics

| Statistics | 2010 | 2009 |
|---|---|---|
| Actives - count | 684 | 660 |
| Actives - average age | 44 | 44 |
| Actives - average service | 17 | 17 |
| Actives - average annual salary | 57 | 55 |
| Deferred - count | 34 | 7 |
| Deferred - average age | 38 | 35 |
| Deferred - average annual pension | 3 | 2 |
| Retirees - count | | |
| Retirees - average age | | |
| Retirees - average annual pension | | |

## Assumptions

| Assumptions | 2010 | 2009 |
|---|---|---|
| Discount rate | 4.3% | 5.0% |
| Salary increase rate | 3.5% | 3.5% |
| Rate of inflation | 2.0% | 2.0% |
| Medical inflation rate | | |
| Pension indexation rate | | |
| Expected return on Plan Assets for N+1 expense (as a percentage) | | |
| Expected return on Separate Assets for N+1 expense (as a percentage) | | |
| *Valuation date of the latest complete valuation (YYYYMMDD)* | *31/12/09* | *31/12/08* |
| *Valuation date of the next complete valuation (YYYYMMDD)* | *31/12/11* | *31/12/10* |
| *Expected Average remaining service Life/EARSL* | *13* | *14* |

| **Items** in '000 EUR | Reconciliation of Defined Benefit Obligation (DBO) (a) | Reconciliation of Fair Value of Plan Assets under IFRS (b) | Reconciliation of Fair Value of Separate Assets under IFRS (c) | Reconciliation of Total Assets (d)=(b)+(c) |
|---|---|---|---|---|
| **Previous year closing** | **38 978** | | **29 144** | **29 144** |
| Value at beginning of year | 38 978 | | 29 144 | 29 144 |
| Service Cost | 2 476 | | | |
| Employee Contributions | | | 959 | 959 |
| Interest Cost | 2 070 | | | |
| Expected Return on Assets (net of investment tax if any) | | | 1 391 | 1 391 |
| Actuarial Loss/Gain due to Experience | 2 857 | | -236 | -236 |
| Actuarial Loss/Gain due to Change in Assumptions | 2 690 | | | |
| Plan Amendment | | | | |
| Net Gain/Loss amortization | | | | |
| Net Transition Obligation/Asset amortization | | | | |
| Net Past Service Cost amortization | | | | |
| Curtailments | | | | |
| Settlements | | | | |
| Change in asset ceiling | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | |
| Transfer from Separate Assets to Plan Assets | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | |
| Employer Contributions to Plan Assets | | | | |
| Employer Contributions to Separate Assets | | | 2 755 | 2 755 |
| Benefits directly paid by the employer (enter as negative) | | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | |
| Benefits paid from Separate Assets (enter as negative) | -127 | | -127 | -127 |
| Local change FX effect | | | | |
| Foreign Exchange variance | | | | |
| **Value at end of year** | **48 944** | | **33 886** | **33 886** |

| **Items** in '000 EUR | Funded Status under IFRS (unfunded if positive) (e)=(a)-(b) | Unrecognized Past Service Cost / (Asset) under IFRS (f) | Assets not recognized due to asset ceiling under IFRS (g) | SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h) | Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g) | 2010 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c) | Expected Year N+1 Pension Expense / (Income) under IFRS |
|---|---|---|---|---|---|---|---|
| **Previous year closing** | **38 978** | | | **-345** | **38 977** | | |
| Value at beginning of year | 38 978 | | | -345 | 38 978 | | |
| Service Cost | 2 476 | | | | 2 476 | 2 476 | 2 960 |
| Employee Contributions | | | | | | -959 | -993 |
| Interest Cost | 2 070 | | | | 2 070 | 2 070 | 2 151 |
| Expected Return on Assets (net of investment tax if any) | | | | | | -1 391 | -1 534 |
| Actuarial Loss/Gain due to Experience | 2 857 | | | 3 093 | 2 857 | | |
| Actuarial Loss/Gain due to Change in Assumptions | 2 690 | | | 2 690 | 2 690 | | |
| Plan Amendment | | | | | | | |
| Net Gain/Loss amortization | | | | | | | |
| Net Transition Obligation/Asset amortization | | | | | | | |
| Net Past Service Cost amortization | | | | | | | |
| Curtailments | | | | | | | |
| Settlements | | | | | | | |
| Change in asset ceiling | | | | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | | | | |
| Transfer from Separate Assets to Plan Assets | | | | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | | | | |
| Employer Contributions to Plan Assets | | | | | | | |
| Employer Contributions to Separate Assets | | | | | | | |
| Benefits directly paid by the employer (enter as negative) | | | | | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | | | | |
| Benefits paid from Separate Assets (enter as negative) | -127 | | | | -127 | | |
| Local change FX effect | | | | | | | |
| Foreign Exchange variance | | | | | | | |
| **Value at end of year** | **48 944** | | | **5 438** | **48 944** | **2 196** | **2 584** |

| Sensitivity analysis | 2010 |
|---|---|
| DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -4.43% |
| DBO's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 4.64% |
| DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 2.17% |
| DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 7.19% |
| DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -8.98% |
| Service cost's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 5.10% |
| Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage) | 9.63% |
| Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | 3.35% |

| Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants) | 2010 |
|---|---|
| Estimated future benefits paid - year N+1 | 3 981 |
| Estimated future benefits paid - year N+2 | 2 009 |
| Estimated future benefits paid - year N+3 | 4 175 |
| Estimated future benefits paid - year N+4 | 3 259 |
| Estimated future benefits paid - year N+5 | 1 923 |
| Cumulative estimated future benefits paid - From year N+6 to year N+10 | 22 384 |
| Estimated future benefit payments - From year N+11 until the last benefit payment is paid | 135 757 |

| | 2011 |
|---|---|
| Expected employer contributions to Plan Assets | |
| Expected employer contributions to Separate Assets | 3 228 |

| Historical overview | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Defined benefit obligation | | 48 943.67 | 38 977.86 | 32 675.48 | 29 095.84 | 30 224.17 |
| Fair value assets | | 33 886.26 | 29 144.27 | 24 391.01 | 20 950.21 | 19 462.26 |
| Surplus or deficit | | 15 057.40 | 9 833.59 | 8 284.46 | 8 145.63 | 10 761.90 |
| Actuarial gain/loss | | 2 689.91 | 440.31 | | | |
| Gain/Loss due to change in assumptions | | 2 857.02 | 3 083.83 | | | |
| Contributions in next year: | | | | | | |
| — by the employer | 3 227.97 | | | | | |
| — by the employee | 992.51 | | | | | |

*Other plans*

## Health Care - Defined benefit plans

in '000 EUR

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **1. Components of defined benefit plan assets and liabilities** | | |
| 1.1. Net funded, defined benefit plan obligation (asset) | 9 231 | 7 980 |
| — 1.1.1. Present value of wholly or partially funded | 9 231 | 7 980 |
| — 1.1.2. ( - ) Fair value, defined benefit plan assets | | |
| 1.1.2.1. Equity instruments | | |
| 1.1.2.2. Debt instruments | | |
| 1.1.2.3. Property | | |
| 1.1.2.4. Other assets | | |
| Of which: Property occupied or other assets used by the entity | | |
| Of which: Financial instruments issued by the entity | | |
| 1.2. Present value of wholly unfunded defined benefit obligations | | |
| 1.3. Unrecognised actuarial gains (losses) | | |
| 1.4. Unrecognised past service cost | | |
| 1.5. Amounts not recognised as an asset, due to limits of para 58 (b) | | |
| 1.6. Fair value of any right to reimbursement recognised as an asset | | |
| 1.7. Other amounts recognized in the balance sheet | | |
| **Defined benefit plan obligation (asset), total** | **9 231** | **7 980** |
| **2. Expense recognised in profit or loss, total** | **573** | **527** |
| 2.1. Current service cost | 166 | 158 |
| 2.2. Interest cost | 407 | 369 |
| 2.3. ( - ) Expected return on plan assets | | |
| 2.4. ( - ) Expected return on reimbursement rights recognised as asset | | |
| 2.5. Net actuarial loss (gain) recognised | | |
| 2.6. Past service cost | | |
| 2.7. Loss (gain) of any curtailments or settlements | | |
| 2.8. Effect of limit in par. 58 (b) when the net amount of the defined benefit obligation is negative | | |
| **Memorandum items** | | |
| Actual return on plan assets | | |
| Actual return on reimbursement rights recognised as assets | | |
| Accumulated amount of actuarial gains and losses recognised in the statement of recognised income and expense | 3 837 | 3 141 |
| Employer estimate of contributions expected to be paid during the next period | | |
| **3. Movements in defined benefit plan obligation for defined benefit plan** | | |
| 3.1. Defined benefit plan obligation, beginning balance | 7 980 | 6 180 |
| 3.2. ( - ) Benefits paid | 17 | 173 |
| 3.3. Current service cost | 166 | 158 |
| 3.4. Interest cost | 407 | 369 |
| 3.5. Actuarial gains and losses, total | 696 | 1 446 |
| 3.6. Past service cost, total | | |
| 3.7. Increases through business combinations | | |
| 3.8. ( - ) Decreases through business divestiture | | |
| 3.9. Foreign currency exchange increase (decrease) | | |
| 3.10. Contributions paid by plan participants | | |
| 3.11. Other increase (decrease) | | |
| 3.12. Defined benefit plan obligations, Closing balance | 9 231 | 7 980 |
| **4. Principal actuarial assumptions used in defined benefit plans** | | |
| 4.1. Discount rates | 4.30% | 5.00% |
| 4.2. Expected return on plan assets | 4.50% | 4.50% |
| 4.3. Expected rate of salary increases | | |
| 4.4. Future defined benefit increases | | |
| 4.5. Expected rate of return on reimbursement rights recognised as assets | | |
| 4.6. Medical cost trend rate | 3.50% | 3.50% |
| 4.7. Other material actuarial assumptions | | |
| **5. Effects of changes in the assumed medical trend rate** | **Increase 1%** | **Increase 1%** |
| 5.1. Current service cost and interest cost components of periodic medical cost | 987 | 695 |
| 5.2. Accumulated obligation for medical cost | 12 293 | 9 835 |
| **5. Effects of changes in the assumed medical trend rate** | **Decrease 1%** | **Decrease 1%** |
| 5.1. Current service cost and interest cost components of periodic medical cost | 544 | 348 |
| 5.2. Accumulated obligation for medical cost | 7 017 | 6 569 |

## Special events occuring during the year

| | |
|---|---|
| Were there any amendements or changes to the plan document or agreements that rule the plan? | No |
| Was the plan affected by any mergers or acquisitions or spinoffs? | No |
| Were there any major transfers of employees between entities or lines of business? | No |
| Were there any major restructurations or major movements in the population? | No |
| Was coverage extended to another category of employees or beneficiaries? | No |
| Was coverage reduced and limited to a certain category of employees or beneficiaries? | No |
| Was there a change in the financing method (Contracted out to an insurer or setting up a fund, ...)? | No |
| Was there a major change in the Social Charges paid with regards to this plan? | No |

| **Statistics** | **2010** |
|---|---|
| Actives - count | 1 223 |
| Actives - average age | 47 |
| Actives - average service | 22 |
| Actives - average annual salary | |
| Deferred - count | |
| Deferred - average age | |
| Deferred - average annual pension | |
| Retirees - count | 459 |
| Retirees - average age | 72 |
| Retirees - average annual pension | |

| **Assumptions** | **2010** | **2009** |
|---|---|---|
| Discount rate | 4.3% | 5.0% |
| Salary increase rate | | |
| Rate of inflation | 3.5% | 3.5% |
| Medical inflation rate | | |
| Pension indexation rate | | |
| Expected return on Plan Assets for N+1 expense (as a percentage) | | |
| Expected return on Separate Assets for N+1 expense (as a percentage) | | |
| *Valuation date of the latest complete valuation (YYYYMMDD)* | *31/12/09* | *31/12/08* |
| *Valuation date of the next complete valuation (YYYYMMDD)* | *31/12/11* | *31/12/10* |
| *Expected Average remaining service Life/EARSL* | *13* | *12* |

| **Items** in '000 EUR | Reconciliation of Defined Benefit Obligation (DBO) (a) | Reconciliation of Fair Value of Plan Assets under IFRS (b) | Reconciliation of Fair Value of Separate Assets under IFRS (c) | Reconciliation of Total Assets (d)=(b)+(c) |
|---|---|---|---|---|
| **Previous year closing** | **7 980** | | | |
| Value at beginning of year | 7 980 | | | |
| Service Cost | 166 | | | |
| Employee Contributions | | | | |
| Interest Cost | 407 | | | |
| Expected Return on Assets (net of investment tax if any) | | | | |
| Actuarial Loss/Gain due to Experience | -720 | | | |
| Actuarial Loss/Gain due to Change in Assumptions | 1 416 | | | |
| Plan Amendment | | | | |
| Net Gain/Loss amortization | | | | |
| Net Transition Obligation/Asset amortization | | | | |
| Net Past Service Cost amortization | | | | |
| Curtailments | | | | |
| Settlements | | | | |
| Change in asset ceiling | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | |
| Transfer from Separate Assets to Plan Assets | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | |
| Employer Contributions to Plan Assets | | | | |
| Employer Contributions to Separate Assets | | | | |
| Benefits directly paid by the employer (enter as negative) | -17 | | | |
| Benefits paid from Plan Assets (enter as negative) | | | | |
| Benefits paid from Separate Assets (enter as negative) | | | | |
| Local change FX effect | | | | |
| Foreign Exchange variance | | | | |
| **Value at end of year** | **9 232** | | | |

| **Items** in '000 EUR | Funded Status under IFRS (unfunded if positive) (e)=(a)-(b) | Unrecognized Past Service Cost / (Asset) under IFRS (f) | Assets not recognized due to asset ceiling under IFRS (g) | SORIE (Net (Gain) / Loss recognized in Equity under IFRS) (h) | Balance Sheet Liability / (Asset) under IFRS (i)=(e)-(f)+(g) | 2010 Pension Expense / (Income) under IFRS (j)=(i)-(h)-(c) | Expected Year N+1 Pension Expense / (Income) under IFRS |
|---|---|---|---|---|---|---|---|
| **Previous year closing** | **7 980** | | | **3 141** | **7 980** | | |
| Value at beginning of year | 7 980 | | | 3 141 | 7 980 | | |
| Service Cost | 166 | | | | 166 | 166 | 319 |
| Employee Contributions | | | | | | | |
| Interest Cost | 407 | | | | 407 | 407 | 410 |
| Expected Return on Assets (net of investment tax if any) | | | | | | | |
| Actuarial Loss/Gain due to Experience | -720 | | | -720 | -720 | | |
| Actuarial Loss/Gain due to Change in Assumptions | 1 416 | | | 1 416 | 1 416 | | |
| Plan Amendment | | | | | | | |
| Net Gain/Loss amortization | | | | | | | |
| Net Transition Obligation/Asset amortization | | | | | | | |
| Net Past Service Cost amortization | | | | | | | |
| Curtailments | | | | | | | |
| Settlements | | | | | | | |
| Change in asset ceiling | | | | | | | |
| Net transfer in (out) (including effects of acquisitions) | | | | | | | |
| Transfer from Separate Assets to Plan Assets | | | | | | | |
| Transfer from Separate Assets to General Assets (enter as negative) | | | | | | | |
| Employer Contributions to Plan Assets | | | | | | | |
| Employer Contributions to Separate Assets | | | | | | | |
| Benefits directly paid by the employer (enter as negative) | -17 | | | | -17 | | |
| Benefits paid from Plan Assets (enter as negative) | | | | | | | |
| Benefits paid from Separate Assets (enter as negative) | | | | | | | |
| Local change FX effect | | | | | | | |
| Foreign Exchange variance | | | | | | | |
| **Value at end of year** | **9 232** | | | **3 837** | **9 232** | **573** | **729** |

| Sensitivity analysis | 2010 |
|---|---|
| DBO's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -12.94% |
| DBO's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 11.63% |
| DBO's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | |
| DBO's Sensitivity to a +0.5% change in the salary increase (as a percentage) | |
| DBO's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| DBO's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | 13.21% |
| Service cost's Sensitivity to a +0.5% change in the discount rate (as a percentage) | -14.72% |
| Service cost's Sensitivity to a -0.5% change in the discount rate (as a percentage) | 13.11% |
| Service cost's Sensitivity to a +0.5% change in the salary increase (as a percentage) | |
| Sercice cost's Sensitivity to a +0.5% change in the pension increase rate, if relevant (as a percentage) | |
| Service cost's Sensitivity to a +0.5% change in the medical inflation rate, if relevant (as a percentage) | 14.81% |
| Service cost's Sensitivity to a +0.5% change in the inflation rate (as a percentage) | |

| Estimated Future Benefits Paid (for current active population, i.e. excluding new entrants) | 2010 |
|---|---|
| Estimated future benefits paid - year N+1 | 17 |
| Estimated future benefits paid - year N+2 | 18 |
| Estimated future benefits paid - year N+3 | 18 |
| Estimated future benefits paid - year N+4 | 19 |
| Estimated future benefits paid - year N+5 | 20 |
| Cumulative estimated future benefits paid - From year N+6 to year N+10 | 108 |
| Estimated future benefit payments - From year N+11 until the last benefit payment is paid | 587 |

| | 2011 |
|---|---|
| Expected employer contributions to Plan Assets | |
| Expected employer contributions to Separate Assets | |

| Historical overview | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Defined benefit obligation | | 9 231.44 | 7 979.52 | 6 179.93 | 6 513.55 | 7 692.08 |
| Fair value assets | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Surplus or deficit | | 9 231.44 | 7 979.52 | 6 179.93 | 6 513.55 | 7 692.08 |
| Actuarial gain/loss | | -719.57 | 0.00 | | | |
| Gain/Loss due to change in assumptions | | 1 415.54 | 1 445.54 | | | |
| Contributions in next year: | | | | | | |
| — by the employer | 17.22 | | | | | |
| — by the employee | 0.00 | | | | | |

## 33 / SHARE-BASED PAYMENTS

Each year the AXA Group grants a number of equities to each country to be distributed among its employees.

This involves stock options on shares in the parent company AXA sa.

For the beneficiaries of equities (shares) for whom the allocation is random, a ratio (which may vary every year) is awarded in the form of stock options and the balance is granted in the form of Performance Units (PUs), and this on the basis of 1 PU for 2.5 equities (shares). This PU is the subject of a re-evaluation depending on the group's results . Up to and including the allocation in 2009, the re-evaluation amounted to 50% of the PU after 1 year based on the results of the year of allocation and the other 50% after 2 years based on the results of the following financial year after allocation. After 2 years these PUs give rise to the payment of the countervalue in cash, provided the number of PUs does not exceed 1 000. If the number of PUs, however, exceeds 1 000, 70% gives rise to payment in cash and 30% translates into shares ("AXA Shares"). The delivery of the shares is the subject of the reinvoicing of the group to the local entity and concerned an amount of EUR 34 147.22 by the end of 2010.

50% will be re-evaluated for 2010 based on the average closing rate of the AXA share during the 20 last stock exchange days prior to 19 March 2012 and they will be paid on 19 March 2012; the other 50% will be re-evaluated based on the average closing rate of the AXA share during the 20 last stock exchange days prior to 19 March 2013 and will either be paid or converted into AXA shares depending on the preference of the beneficiaries.

An estimate was made of the cost of the paid out advantages for 2010, which amounted to ± EUR 289 000.

Below is an overview related to the number of stock options granted to employees with an AXA Bank Europe contract.

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Granted options | 27 341 | 43 990 | 53 640 | 76 345 | 98 874 | 69 616 | 49 700 | 45 459 | 36 975 | 65 245 | 88 976 | 656 160 |
| Exercised options | | | | | | | | | | | | |
| Cancelled options | | | | | | | -523 | -512 | -359 | -1 536 | -1 150 | -4 080 |
| Expired options | -82 016 | | | | | | | | | | | -82 016 |
| **Exercise price** | **38.96** | **30.74** | **19.96** | **10.47** | **16.90** | **19.70** | **27.75** | **32.95** | **21.00** | **9.76** | **15.43** | |
| | | | | | | | | | | | | **570 064** |

Cancelled options involve employees who have left the company, thereby losing their right to exercise their options.

| in '000 EUR | ≥ 2000 | ≥ 2003 |
|---|---|---|
| **Options at 01.01.2010** | **567 184** | **442 214** |
| Granted options in 2010 | 88 976 | 88 976 |
| Exercised options in 2010 | | |
| Cancelled options in 2010 | -4 080 | -4 080 |
| Expired options in 2010 | -82 016 | |
| **Options at 31.12.2010** | **570 064** | **527 110** |

These outstanding options are exercisable over a period from 2 years after their grant and with a maximum term of 10 years after the grant.

## 34 / GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

AXA Bank Europe receives structural deductions within the framework of social security. These deductions primarily involve two types:

- Structural one-off deductions calculated in compliance with the Royal Decrees of May 2003 and January 2004;
- Deductions related to the "older employees" target group (above the age of 57).

The amounts thus established totalled approximately EUR 3.0 million for 2010.

## 35 / EQUITY

### Subscribed capital

in '000 EUR

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **Subscribed capital** | **546 318** | **546 318** |
| **Revaluation reserves** | | |
| Revaluation of available-for-sale financial assets | -228 324 | -219 155 |
| Deferred tax | 78 987 | 74 732 |
| | **-149 337** | **-144 423** |
| Actuarial gains/losses relating to promised pension schemes | -8 752 | -793 |
| Deferred tax | 2 966 | 59 |
| | **-5 786** | **-734** |
| Foreign currency translation | -1 362 | -120 |
| | | |
| Cash flow hedges | -24 385 | -18 355 |
| Deferred tax | 8 288 | 6 239 |
| | **-16 097** | **-12 116** |
| **Other reserves (including results carried forward)** | **464 539** | **475 311** |
| **RESULT FOR THE FINANCIAL YEAR** | **12 342** | **-9 775** |

The issued capital amounts to EUR 546 318 241.47 and consists of 395 911 750 shares without making a reference to the nominal value.

It was paid up in full.

The section "Other reserves" includes the legal reserve, which totalled EUR 2 357 553.61 at the end of 2009. For 31 December 2010 we refer to point 36.

Other reserves also include the General Banking Risks Fund.

This reserve was created by the bank in order to cover unforeseen risks and future unexpected losses.

This fund totalled EUR 32 529 700.62 as at 31 December 2010 (remained unchanged compared to 31 December 2009).

## 36 / PROFIT ALLOCATION AND DIVIDENDS PER SHARE

The Board of Directors recommends to integrally transfer the profits to be distributed of the financial year for an amount of 12.3 million to the following financial year and, consequently, not to pay out dividends.

## 37 / CASH AND CASH EQUIVALENTS

### Cash and cash equivalents at end of the period

in '000 EUR

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **Components of cash and cash equivalents** | **623 347** | **151 853** |
| On hand (cash) | 590 212 | 130 135 |
| Cash and balances with central banks | 33 135 | 21 718 |
| Loans and receivables | | |
| Held-to-maturity investments | | |
| Available-for-sale assets | | |
| Financial assets held for trading | | |
| Financial assets designated at fair value through profit or loss | | |
| Other short term, highly liquid investments (Bank overdrafts which are repayable on demand, if integral part of cash management) | | |
| **TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **623 347** | **151 853** |

## 38 / RELATED-PARTY TRANSACTIONS

### Income and expences from related-party transactions

31.12.2010 – in '000 EUR

| | Parent | Parent entities with joint control | Subsidiaries | Associates | Joint ventures where the entity is a venturer | Key management of the entity or its parent | Other related parties | Total |
|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | | | | |
| **Assets: loans and advances** | | | **4 154** | | | **1 262** | **5 163 446** | **5 168 862** |
| Current accounts | | | | | | | | |
| Term loans | | | 4 154 | | | | 5 147 445 | 5 151 599 |
| Finance leases | | | | | | | | |
| Consumer Credit | | | | | | 14 | | 14 |
| Mortgage loans | | | | | | 1 248 | | 1 248 |
| Other | | | | | | | 16 001 | 16 001 |
| **Equity instruments** | | | | | | | | |
| Trading securities | | | | | | | | |
| Investment securities | | | | | | | | |
| **Other receivables** | | | **10** | | | | **10 031** | **10 041** |
| **TOTAL ASSETS** | | | **4 164** | | | **1 262** | **5 173 477** | **5 178 903** |
| **Liabilities: deposits** | **1 331** | | **211** | | | | **3 414 649** | **3 416 191** |
| Deposits | 131 | | 211 | | | | 50 545 | 50 887 |
| Other borrowings | 1 200 | | | | | | 3 364 104 | 3 365 304 |
| **Other financial liabilities** | | | | | | | **450 000** | **450 000** |
| Debt certificates | | | | | | | 450 000 | 450 000 |
| Subordinated liabilities | | | | | | | | |
| Share based payments | | | | | | | | |
| — Granted | | | | | | | | |
| — Exercised | | | | | | | | |
| **Other liabilities** | | | | | | | **215 720** | **215 720** |
| **TOTAL LIABILITIES** | **1 331** | | **211** | | | | **4 080 369** | **4 081 911** |
| **Derivatives (Notional amounts)** | | | | | | | | |
| Interest rate swaptions | | | | | | | 51 623 264 | 51 623 264 |
| Interest rate IRS | | | | | | | 5 576 779 | 5 576 779 |
| Equity instruments TRS | | | | | | | 3 413 120 | 3 413 120 |
| **Ohter items off-balance-sheet** | | | | | | | | |
| Guarantees issued by the group | | | | | | | 1 020 051 | 1 020 051 |
| Guarantees received by the group | | | | | | | 4 425 718 | 4 425 718 |
| Provisions for doubtful debts | | | | | | | | |

| **Income and expences from related-party transactions** 31.12.2010 – in '000 EUR | Parent | Parent entities with joint control | Subsidiaries | Associates | Joint ventures where the entity is a venturer | Key management of the entity or its parent | Other related parties | Total |
|---|---|---|---|---|---|---|---|---|
| **Profit or loss** | | | | | | | | |
| **Expenses** | | | | | | | | |
| Interest expenses | 45 | | | | | | 233 916 | 233 961 |
| Foreign exchange | | | | | | | 3 591 | 3 591 |
| Fees and commissions | | | | | | | 8 584 | 8 584 |
| Insurance premiums | | | | | | | | |
| Rendering of services | | | | | | | | |
| Purchase of goods, property and other assets | | | | | | | | |
| Transfers | | | | | | | | |
| Other | | | 1 | | | | 9 988 | 9 989 |
| **TOTAL EXPENSES** | **45** | | **1** | | | | **256 079** | **256 125** |
| **Income** | | | | | | | | |
| Interest Income | | | 66 | | | | 229 535 | 229 601 |
| Foreign exchange | | | | | | | | |
| Fees and commissions | | | | | | | 6 243 | 6 243 |
| Dividend income | | | | | | | | |
| Insurance premiums | | | | | | | | |
| Receiving of services | | | | | | | | |
| Sales of goods, property and other assets | | | | | | | | |
| Transfers | | | | | | | | |
| Other | | | | | | | 10 118 | 10 118 |
| **TOTAL INCOME** | | | **66** | | | | **245 896** | **245 962** |
| Expenses from current year in respect of bad or doubtful debts | | | | | | | | |

Section “Other related parties” also includes transactions with sister companies.

## Amounts payable to and amounts receivable from, related parties

31.12.2009 – in '000 EUR

| | Parent | Parent entities with joint control | Subsidiaries | Associates | Joint ventures where the entity is a venturer | Key management of the entity or its parent | Other related parties | Total |
|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | | | | |
| **Assets: loans and advances** | | | **3 052** | | | **649** | **4 549 991** | **4 553 692** |
| Current accounts | | | | | | | | |
| Term loans | | | 3 052 | | | | 4 541 000 | 4 544 052 |
| Finance leases | | | | | | | | |
| Consumer Credit | | | | | | 18 | | 18 |
| Mortgage loans | | | | | | 631 | | 631 |
| Other | | | | | | | 8 991 | 8 991 |
| **Equity instruments** | | | | | | | | |
| Trading securities | | | | | | | | |
| Investment securities | | | | | | | | |
| **Other receivables** | | | **70** | | | | **9 768** | **9 838** |
| **TOTAL ASSETS** | | | **3 122** | | | **649** | **4 559 759** | **4 563 530** |
| **Liabilities: deposits** | **19 417** | | **424** | | | | **4 575 103** | **4 594 944** |
| Deposits | 417 | | 424 | | | | 48 104 | 48 945 |
| Other borrowings | 19 000 | | | | | | 4 526 999 | 4 545 999 |
| **Other financial liabilities** | | | | | | | **210 019** | **210 019** |
| Debt certificates | | | | | | | 210 019 | 210 019 |
| Subordinated liabilities | | | | | | | | |
| Share based payments | | | | | | | | |
| — Granted | | | | | | | | |
| — Exercised | | | | | | | | |
| **Other liabilities** | **726** | | | | | | **145 523** | **146 249** |
| **TOTAL LIABILITIES** | **20 143** | | **424** | | | | **4 930 645** | **4 951 212** |
| Guarantees issued by the group | | | | | | | 1 867 759 | 1 867 759 |
| Guarantees received by the group | | | | | | | 4 396 533 | 4 396 533 |
| Provisions for doubtful debts | | | | | | | | |

| **Expenses and income generated by transactions with related parties** 31.12.2009 – in '000 EUR | Parent | Parent entities with joint control | Subsidiaries | Associates | Joint ventures where the entity is a venturer | Key management of the entity or its parent | Other related parties | Total |
|---|---|---|---|---|---|---|---|---|
| **Profit or loss** | | | | | | | | |
| **Expenses** | | | | | | | | |
| Interest expenses | 500 | | | | | | 150 579 | 151 079 |
| Foreign exchange | | | | | | | 31 519 | 31 519 |
| Fees and commissions | | | | | | | 9 063 | 9 063 |
| Insurance premiums | | | | | | | | |
| Rendering of services | | | | | | | | |
| Purchase of goods, property and other assets | | | | | | | | |
| Transfers | | | | | | | | |
| Other | 726 | | | | | | 8 003 | 8 729 |
| **TOTAL EXPENSES** | **1 226** | | | | | | **199 164** | **200 390** |
| **Income** | | | | | | | | |
| Interest Income | 824 | | 27 | | | | 132 389 | 133 240 |
| Foreign exchange | | | | | | | | |
| Fees and commissions | | | | | | | 5 998 | 5 998 |
| Dividend income | | | | | | | | |
| Insurance premiums | | | | | | | | |
| Receiving of services | | | | | | | | |
| Sales of goods, property and other assets | | | | | | | | |
| Transfers | | | | | | | | |
| Other | | | 61 | | | | 6 598 | 6 659 |
| **TOTAL INCOME** | **824** | | **88** | | | | **144 985** | **145 897** |
| Expenses from current year in respect of bad or doubtful debts | | | | | | | | |

The "Other Related Parties" column also contains the transactions of the sister companies.

There is a repo reserve with AXA Belgium for an amount of EUR 3 454 million and a repo reserve with AXA France Vie for an amount of EUR 1 124 million on the asset that can be found in the "Long-term loans" column. These repo transactions are mainly collateralized by state bonds.

We also have a cash collateral of EUR 216 million with AXA Holdings Paris and a cash collateral of EUR 171 million with Equity Swap BNP.

The "Other loans" column under Liabilities is compiled as follows:

- Term investments of AXA Belgium for a total amount of EUR 253 million;
- Term investment of GIE AXA Trésorerie Paris (GIE AXA) for an amount of EUR 311 million;
- Term investment for an amount of EUR 1 093 million by AXA Investment Managers Paris;
- Cash-collateral of AXA Holding Paris voor EUR 274 million;
- Repos with AXA France Vie for EUR 1 117 million;
- Cash collateral with Equity swap BNP for EUR 103 million.

We would also like to note that AXA Bank Europe acts as a broker in the framework of a Total Return Equity Swap. This transaction takes place, on the one hand, with AXA S.A. (France) and AXA Life France. Cash is received as security. The net impact on the income statement of AXA Bank Europe is minimal.

| **Key management compensations** in '000 EUR | **31.12.2010** | **31.12.2009** |
|---|---|---|
| Short-term employee benefits | 4 130 | 4 118 |
| Post-employment benefits | | |
| Other long-term benefits | | |
| Termination benefits | | |
| Share based payments | 52 | 57 |
| **TOTAL** | **4 182** | **4 175** |

The figures relating to managers in key positions involve the members of the management committee of AXA Bank Europe.

The related parties of AXA Bank Europe do not include any joint parent company or joint ventures.

The subsidiaries include all subsidiaries, as well as those not included in the consolidation scope.

As employees of AXA the management in key positions benefit from the same (and no more) staff benefits as other employees. Discounts on AXA products (banking and insurance) and other client benefits offered by outside companies are accessible to each employee on the Intranet (Affinity) and are therefore also available to management in key positions.

Consequently, regarding these persons no separate database is kept by AXA.

## 39 / LEASE AGREEMENTS

Leasing activities do not belong to the set of activities of AXA Bank Europe.

Regarding operational lease arrangements, the tables below show the lease agreements of both company cars and corporate buildings.

| **Assets held under an operating lease as a lessee** 31.12.2010 – in '000 EUR | Total of future minimum lease payments under non-cancelable operating lease | Total of future minimum sublease payments expected to be received under non-cancelable subleases | Minimum lease payments recognized as an expense | Contingent rents payments recognized as an expense | Sublease payments recognized as an expense |
|---|---|---|---|---|---|
| For the lessee - Residual maturity | | | | | |
| < 1 year | 125 | | | | |
| > 1 year ≤ 5 years | 3 710 | | | | |
| > 5 years | 60 | | | | |
| **TOTAL NOMINAL AMOUNT** | **3 895** | | **1 375** | | |

| **Assets held under an operating lease as a lessee** 31.12.2009 – in '000 EUR | Total of future minimum lease payments under non-cancelable operating lease | Total of future minimum sublease payments expected to be received under non-cancelable subleases | Minimum lease payments recognized as an expense | Contingent rents payments recognized as an expense | Sublease payments recognized as an expense |
|---|---|---|---|---|---|
| For the lessee - Residual maturity | | | | | |
| < 1 year | 2 975 | | | | |
| > 1 year ≤ 5 years | 3 083 | | | | |
| > 5 years | 61 | | | | |
| **TOTAL NOMINAL AMOUNT** | **6 119** | | **5 018** | | |

## 40 / REPURCHASE AGREEMENTS (REPO) AND REVERSE REPURCHASE AGREEMENTS (REVERSE REPO)

*Status as at 31 December 2010*

| Transferor: Repo - No derecognition of transfers of financial assets out of: 31.12.2010 – in '000 EUR | Equity instruments | Debt instruments | Loans and advances | Other | Total |
|---|---|---|---|---|---|
| Financial assets held for trading | | 6 813 744 | | | 6 813 744 |
| Financial assets designated at fair value through profit or loss | | | | | |
| Available-for-sale financial assets | | | | | |
| Loans and receivables (including finances leases) | | | | | |
| Held-to-maturity investments | | | | | |
| Other | | | | | |
| **TOTAL** | | **6 813 744** | | | **6 813 744** |

| Transferor: Liabilities (financing obtained) 31.12.2010 – in '000 EUR | Total |
|---|---|
| **Repo** | |
| Credit institutions | 6 055 732 |
| Other than credit institutions | 1 123 625 |

| Transferee: Assets (financing granted) 31.12.2010 – in '000 EUR | Total |
|---|---|
| **Reverse repo** | |
| Credit institutions | 1 494 704 |
| Other than credit institutions | 4 577 775 |

*Status as at 31 December 2009*

| Transferor: Repo - No derecognition of transfers of financial assets out of: 31.12.2009 – in '000 EUR | Equity instruments | Debt instruments | Loans and advances | Other | Total |
|---|---|---|---|---|---|
| Financial assets held for trading | | 7 400 827 | | | 7 400 827 |
| Financial assets designated at fair value through profit or loss | | | | | |
| Available-for-sale financial assets | | | | | |
| Loans and receivables (including finances leases) | | | | | |
| Held-to-maturity investments | | | | | |
| Other | | | | | |
| **TOTAL** | | **7 400 827** | | | **7 400 827** |

| Transferor: Liabilities (financing obtained) 31.12.2009 – in '000 EUR | Total |
|---|---|
| **Repo** | |
| Credit institutions | 2 331 140 |
| Other than credit institutions | 1 951 439 |

| Transferee: Assets (financing granted) 31.12.2009 – in '000 EUR | Total |
|---|---|
| **Reverse repo** | |
| Credit institutions | 1 244 159 |
| Other than credit institutions | 4 418 570 |

## 41 / FINANCIAL RELATIONSHIPS WITH AUDITORS

| 31.12.2010 – in '000 EUR | 31.12.2010 |
|---|---|
| Remuneration of the auditor(s) | 787 |
| Remuneration for exceptional activities or special commissions performed within the company by the auditor(s) | |
| — Other audit activities | 170 |
| — Advisory activities | |
| — Other activities outside audit activities | 71 |
| Remuneration for exceptional activities or special commissions performed within the company by persons associated with the auditor(s) | |
| — Other audit activities | |
| — Advisory activities | |
| — Other activities outside audit activities | |

Notifications in application of Article 133, paragraph 6 of the Companies Code.

## 42 / SEGMENT INFORMATION

The segment information model contains both a split based on geographical segment and based on company segment.

The split based on geographical segment (that is to say, countries) is based on the location where the commercial services are being offered. These commercial services comprise the range of deposits and loans of private clients.

The Shared Services business unit (also referred to as head office) comprises the centralised ALM (asset and liability management), cash functions, the supportive functions, AXA Hedging Services and the Execution Desk Paris.

Transactions are carried out for business rates (principle of arm's length) between the different segments where mainly the following basic principles are applied:

— Service Level Agreements: The AXA Bank Europe branches outsource different services to the AXA Bank Europe head office regarding which the most important are risk management, internal audit, ALM and management of liquid resources/ cash. The revenue generated by these services are allocated in accordance with the provisions and conditions agreed between head office and each branch. Internal service level agreements arrange in detail the tasks and responsibilities of these supportive services.

— Funds Transfer Pricing: Cash resources and ALM are centralised within AXA Bank Europe at a head office level. With a view to transfer the interest rate risk of the commercial activities to the centralised ALM, the Funds Transfer Pricing system is applied. This means that the deposits that are put into the custody of the commercial business segments, are re-invested at the central ALM and that the loans allocated by the commercial business segments are financed by the central ALM whilst applying the Funds Transfer Princing interest rate.

— Allocation of ALM revenue: As well as the commercial margin, AXA Bank Europe can apply a transformation margin for its retail activities. This is managed centrally within head office with a view to having optimal management of the annual account. The ALM revenue is entered in the commercial activities to allow an overall valuation at the level of each country. The parameters applied in this entry are the economic capital and the assets and liabilities of the retail activities.

### *Status as at 31 December 2010*

| **AXA Bank Europe Net Income** in '000 EUR | **Net Banking Product** | **Commissions** | **Administrative Expenses** | **Loan Loss Provisions** | **Other** | **Taxes** | **Net Income** |
|---|---|---|---|---|---|---|---|
| Belgium | 238.223 | -30.137 | -181.397 | -4.422 | 0.005 | 4.313 | 26.586 |
| Shared Services | 84.790 | 0.000 | -62.486 | 0.000 | 0.000 | 18.143 | 40.446 |
| **Belgium & Shared Services** | **323.013** | **-30.137** | **-243.883** | **-4.422** | **0.005** | **22.456** | **67.032** |
| Hungary | 59.150 | -0.542 | -38.200 | -48.756 | -0.187 | 3.765 | -24.771 |
| Switzerland | -3.182 | -0.140 | -10.676 | 0.000 | 0.000 | 0.012 | -13.986 |
| Czech Republic | -2.627 | -0.434 | -10.384 | 0.000 | 0.000 | -0.176 | -13.621 |
| Slovakia | 0.008 | 0.000 | -2.319 | 0.000 | 0.000 | 0.000 | -2.312 |
| Poland | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **AXA Bank Europe** | **376.362** | **-31.253** | **-305.463** | **-53.178** | **-0.183** | **26.057** | **12.342** |

### *Status as at 31 December 2009*

| **AXA Bank Europe Net Income** in '000 EUR | **Net Banking Product** | **Commissions** | **Administrative Expenses** | **Loan Loss Provisions** | **Other** | **Taxes** | **Net Income** |
|---|---|---|---|---|---|---|---|
| Belgium | 236.844 | -41.697 | -185.553 | -10.487 | -0.210 | 5.075 | 3.972 |
| Shared Services | 43.894 | 0.000 | -52.044 | 0.000 | 0.000 | -0.413 | -8.563 |
| **Belgium & Shared Services** | **280.738** | **-41.697** | **-237.597** | **-10.487** | **-0.210** | **4.662** | **-4.591** |
| Hungary | 55.096 | -0.367 | -27.065 | -18.460 | -0.164 | 0.042 | 9.083 |
| Switzerland | -0.903 | -0.142 | -11.052 | 0.000 | 1.162 | 0.000 | -10.934 |
| Czech Republic | -0.076 | 0.000 | -2.912 | 0.000 | 0.000 | 0.000 | -2.988 |
| Slovakia | 0.000 | 0.000 | -0.344 | 0.000 | 0.000 | 0.000 | -0.344 |
| Poland | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **AXA Bank Europe** | **334.855** | **-42.206** | **-278.970** | **-28.946** | **0.788** | **4.704** | **-9.775** |

## 43 / EVENTS AFTER THE BALANCE SHEET DATE

On 25 March 2011, the Board of Directors decided to propose to the General Meeting of Shareholders that its bank capital should be reduced by EUR 200 million. This proposal is justified from an economic point of view in so far as it will allow the structure of the bank's own funds to be optimised and costs reduced.

After this operation, the level of capital available to the bank will be maintained above the minimum required, both at Pillar 1 and Pillar 2 levels, whilst taking into account the outlook in the bank's strategic plan. The bank will also maintain a surplus of capital that will enable it to absorb any cyclical shocks.

On 25 March 2011, the Board of Directors assessed the annual accounts and approved their publication.

The annual accounts will be submitted for approval to the General Meeting of Shareholders on 28 April 2011.

Antwerp, 28 March 2011

### Board of directors

Alfred Bouckaert, Chairman (till 15.04.2010)
Jacques de Vaucleroy, Chairman (since 20.04.2010)
Emmanuel de Talhouët , Vice-chairman(since 01.01.2010)
Jacques Espinasse
Philippe Eyben
Hervé Hatt (till 31.12.2010)
Noel Richardson (till 31.12.2010)
François Robinet
Patrick Vaneeckhout
Thomas Gerber
Patrick Lemoine (since 20.04.2010)
Irina Buchman (since 20.04.2010)
Marc Raisière (since 20.04.2010)
Jozef Van In (since 14.02.2011)

# REPORT OF THE BOARD OF DIRECTORS FISCAL YEAR 2010

## SUBMITTED TO THE GENERAL MEETING OF SHAREHOLDERS ON APRIL 28, 2011

### MANAGEMENT BODIES

**Board of Directors**

- Alfred Bouckaert, Chairman (until 15 April 2010)
- Jacques de Vaucleroy, Chairman (since 20 April 2010)
- Emmanuel de Talhouët, (Vice-Chairman)
- Irina Buchmann (since 20 April 2010)
- Jacques Espinasse
- Philippe Eyben
- Thomas Gerber
- Hervé Hatt (until 31 December 2010)
- Jef Van In (since 14 February 2011)
- Patrick Lemoine (since 20 April 2010)
- Marc Raisière (since 20 April 2010)
- Noel Richardson (until 31 December 2010)
- François Robinet
- Patrick Vaneeckhout

**Executive Committee**

- Hervé Hatt, Chairman (until 31 December 2010)
- Jef Van In, Chairman (since 14 February 2011)
- Patrick Vaneeckhout, Vice-Chairman
- François Robinet, Vice-Chairman
- Irina Buchmann (since 20 April 2010)
- Philippe Eyben
- Noel Richardson (until 20 April 2010)

**Audit Committee**

- Jacques Espinasse, Chairman
- Emmanuel de Talhouët, Member (until 4 February 2010)
- Patrick Lemoine (since 20 April 2010)

**Remuneration Committee**

- Jacques de Vaucleroy, Chairman (since 20 April 2010)
- Alfred Bouckaert, Chairman (until 15 April 2010)
- Emmanuel de Talhouët, Member (until 4 February 2010)
- Jacques Espinasse, Member (since 8 February 2011)
- Patrick Lemoine (since 20 April 2010)

**Auditor**

PricewaterhouseCoopers Réviseurs d'entreprises, scrl, represented by Mrs Emmanuèle Attout and Mr Gregory Joos (registered auditors)

## 1 / AXA BANK EUROPE

### 1.1 / Key events in 2010

#### *1.1.1 / A new branch in the Czech Republic*

AXA Bank Europe successfully launched a new branch in the Czech Republic in February. AXA Bank launched the new banking activity via a high-yield savings account distributed both by internal and external distribution networks and by a completely updated internet site a **www.axa.cz**. Net collections[1] reached EUR 438 million at year end which was above expectations. Over 10 months, more than 34 000 customers chose to trust AXA Bank with their savings. The launch of this new branch was an important step in the development of AXA Bank Europe.

#### *1.1.2 / Affirmation of our banking model*

At the request of AXA Group, a complete strategic assessment was carried out in the second quarter to evaluate the commercial and organizational model of AXA Bank Europe. Following this exercise, the AXA Group Management Board re-affirmed the value of the existing model and re-affirmed the added value of banking activities as support activities for insurance. Our approach is based on the OneAXA model, that is, retail banking supports Life & Invest activities and Property-Casualty insurance.

#### *1.1.3 / Many challenges in Hungary*

Exchange rate volatility was a major challenge for Hungary in 2010. A crisis management plan was implemented to reduce customer risk and to limit the sensitivity of the portfolio and of credit production to significant swings in exchange rates.

#### *1.1.4 / A covered bond program to back growth*

AXA Bank Europe successfully launched its first covered bond program in October. The goal of this program was to diversify AXA Bank Europe financing sources and to take advantage of the favorable market conditions at the time to secure long-term sources of financing. This first covered bond program is a major step in supporting the growth of AXA Bank Europe and, more particularly, for the development of the mortgage loan market in Belgium.

### 1.2 / The economic and financial context

#### *1.2.1 / General context*

Led by emerging markets, the United States and Germany, GDP growth in 2010 was likely far more robust than had been forecast at the beginning of the year.

1. Includes changes in outstanding amounts on balance sheet products and the production of off-balance sheet products (mutual funds, third-party products) included in the branch's product range.

Growth in emerging countries was expected to be about 8.5% in 2010 with sustained domestic demand associated with increases in raw materials prices.

Industrialized countries and in particular the United States, experienced acceleration in business activity following GDP growth induced by the rebuilding of inventories at the beginning of the year. While the housing and labor markets remained listless, higher-than-expected consumption came as a surprise in the United States.

Central banks in industrialized countries also maintained their accommodating monetary policies.

### *1.2.2 / Investment climate*

The most significant fund collections were in bonds and in stock products invested in emerging and international markets, in high-yield corporate bonds and absolute return products. In addition, investors left the currency markets and the growing fear of inflation, on top of worries created by lasting public debt in Europe, reduced the demand for government bonds.

New regulations have already begun to create opportunities and challenges for the sector after the crisis. Insurance companies and banks have continued the trend toward a more cautious approach consisting in allocating assets in line with Solvency II and Basel III provisions.

## 1.3 / Comments on results

### *1.3.1 / Production volumes*

| **Net collections** in mio EUR | 2009[1] | 2010[2] | Variation[3] (comparable FX) |
|---|---|---|---|
| Belgium | 1 201 | 194 | -84% |
| Hungary | 181 | 76 | -59% |
| Switzerland | 185 | 142 | -30% |
| Czech Republic | | 438 | |
| **TOTAL** | **1 567** | **850** | **-48%** |

Total AXA Bank Europe net collections were EUR 850 million compared to EUR 1 567 million in 2009. 2010 was marked by a drop in net collections in a climate of very low interest rates and a highly competitive market. The most significant drops were seen in Belgium and in Hungary. However, this was offset by the commercial start-up in the Czech Republic in February 2010.

| **Gross credit production** in mio EUR | 2009 | 2010 | Variation (comparable FX) |
|---|---|---|---|
| Belgium | 2 553 | 2 749 | +8% |
| Hungary | 277 | 285 | +1% |
| **TOTAL** | **2 830** | **3 034** | **+7%** |

Gross credit production reached EUR 3 034 million, an increase of 7% compared to 2009, mainly as a result of high volumes in Belgium.

1. Converted using the average annual exchange rate.
2. Converted using the average annual exchange rate.
3. The 2010 figures were converted using the 2009 exchange rate for the comparison calculation.

### *1.3.2 / Comments*

**Consolidated accounts (IFRS)**

AXA Bank Europe consolidated accounts as of 31 December 2010 were drawn up in accordance with IFRS standards (International Financial Reporting Standards).

As of 31 December 2010, the consolidation scope of AXA Bank Europe included the following companies: AXA Bank Europe S.A., including the branches, AXA Hedging Services, Royal Street S.A., AXA Belgium Finance BV and SCF AXA Bank Europe, created in 2010.

AXA Bank Europe Group's net consolidated result, excluding branches, was EUR 72.9 million, compared to EUR 4.7 million the previous year. This increase was primarily due to higher net banking income from better commercial margins on loans, commissions earned by AXA Hedging Services, fewer commissions allocated to distribution due to lower net collections and to a non-recurring tax benefit in 2010. The increase was partially offset by higher costs resulting from the new deposit protection program.

Branch results, restated in accordance with IFRS standards and converted into EUR when the currency is different, are as follows:

— The Swiss branch: EUR -14.5 million compared to EUR -10.9 million the previous year, due primarily to continued development of Swiss activities;
— The Hungarian branch: EUR -29.49 million compared to EUR -0.2 million the previous year. This decrease was essentially due to the increase in provisions for credit losses resulting from a slowing real estate market, an unfavorable macroeconomic environment and new taxes on the financial industry. In order to reduce the impact of the forint's depreciation, AXA Bank Europe eliminated the granting of loans in Swiss francs starting in July. A crisis management team was set up in mid-2010 to limit the effects of the crisis on our clients and to protect our portfolio;
— The Czech branch: EUR -14.0 million compared to EUR -3.0 million the previous year as a result of the commercial launch of the banking activity in 2010;
— The Slovak branch: EUR -2.3 million compared to EUR -0.3 million the previous year due to the set-up of banking activities;
— The Execution Desk Paris branch: EUR -0.3 million.

In the final analysis, AXA Bank Europe's consolidated net result amounted to a profit of EUR 12.3 million and the consolidated balance sheet totalled EUR 31 377 million. These figures are to be compared with a loss of EUR 9.8 million in 2009 and a consolidated balance sheet total of EUR 26 296 million.

Considering the limited scope of consolidation, readers are referred to the other sections of this report for comments on developments, risks and uncertainties. For comments and details on the application of IFRS standards, please see the annual consolidated accounts and the explanatory notes they contain.

**Statutory accounts**

AXA Bank Europe's statutory accounts are drawn up in accordance with Belgian accounting standards and take into consideration the specific provisions for credit institutions.

The accounts include the branch accounts. As of 31 December 2010, the balance sheet total stood at EUR 30 373 million and we recorded a net loss of EUR 20.5 million.

This result consists of the following (Belgian accounting standards):

— Belgian banking activity: EUR 33.84 million in profit;
— Correction of the result of internal sales between headquarters and the branches: EUR - 6.8 million;
— Hungarian banking activity: EUR -14.0 million;
— Swiss banking activity: EUR -16.6 million;
— Czech banking activity: EUR -14.2 million;
— Slovak result (still in start-up mode): EUR -2.3 million;
— Execution Desk Paris: EUR -0.3 million.

**Appropriation of profit**
The loss for the period was EUR 20 475 456.37.
The profit carried forward from 2009 was EUR 132 542 076.13.

Therefore, the profit for appropriation was EUR 112 066 619.75.

The Board of Directors has proposed carrying the profit forward again.

## 1.4 / Significant events occurring since 1 January 2011

In March, the Board of Directors decided to propose a EUR 200 million reduction in bank capital to the shareholders.

The proposal makes sense from an economic standpoint in that it will enable optimization of the structure of the bank's shareholder equity and a reduction in its cost.

After completion, the level of available bank capital will be maintained above the required minimums for both Pillar 1 and Pillar 2 while taking into account the outlook for the bank's strategic plan. The bank will also keep a capital surplus to enable it to absorb cyclical shocks.

## 1.5 / Governance

### *1.5.1 / Management Bodies: changes implemented in 2010 and since 1 January 2011.*

**Board of Directors:**
— Appointment of Jacques de Vaucleroy as Chairman, effective 20 April 2010;
— Appointment of Emmanuel de Talhouët, already a board member, as Vice-Chairman, effective 1 January 2010;
— Appointment of Irina Buchmann, effective 20 April 2010;
— Appointment of Marc Raisière, effective 20 April 2010;
— Appointment of Patrick Lemoine, effective 20 April 2010;
— Appointment of Jef Van In, effective 14 February 2011;
— Resignation of Hervé Hatt, effective 31 December 2010;
— Resignation of Alfred Bouckaert (retired), effective 15 April 2010;
— Resignation of Noel Richardson, effective 31 December 2010.

**Executive Committee:**
— Appointment of Irina Buchmann, effective 20 April 2010;
— Renunciation by Noel Richardson, effective 20 April 2010;
— Appointment of Jef Van In, effective 14 February 2011;
— Resignation of Hervé Hatt, effective 31 December 2010.

**Audit Committee:**
— Renunciation by Emmanuel de Talhouët, effective 4 February 2010;
— Appointment of Patrick Lemoine, effective 20 April 2010.

**Remuneration Committee:**
— Renunciation by Alfred Bouckaert, effective 15 April 2010;
— Renunciation by Emmanuel de Talhouët, effective 4 February 2010;
— Appointment of Jacques de Vaucleroy, effective 20 April 2010;
— Appointment of Patrick Lemoine, effective 20 April 2010;
— Appointment of Jacques Espinasse, effective 8 February 2011.

### *1.5.2 / Competence and independence of the Audit Committee*

The AXA Bank Europe audit committee consists of Jacques Espinasse, Chairman and Patrick Lemoine. Emmanuel de Talhouët was a member until 4 February 2010.

**Jacques Espinasse** was appointed an independent Director of AXA Bank Europe on 17 April 2008. He has a degree from the University of Michigan and a Master's in Business Administration. He has acquired considerable experience as an analyst and financial officer in several major corporations. He has served as a director for several companies.

**Emmanuel de Talhouët** was appointed a Director of AXA Bank Europe on 17 April 2008. He has a degree from the French polytechnic institute and studied management at INSEAD. He has extensive experience in financial and general management, including in the insurance industry.

**Patrick Lemoine** was appointed a Director of AXA Belgium on 01 January 2010. He is a graduate of the Ecole des Mines (EMSE). He received an Etude Comptable Supérieur (Higher Accounting Studies) diploma and an MBA from INSEAD. He is also an actuary. He began his career in 1981 with Credit Lyonnais and has since acquired significant experience as a technical director in property-casualty insurance and as a financial director in the insurance industry in France and Canada.

The Board of Directors is consequently in a position to demonstrate the *individual and collective competence* of the members of the audit committee, as required by the law of 17 December 2008 which requires an audit committee in financial institutions.

Since 2007, and until the law requiring an audit committee in listed companies and financial institutions took effect on 8 January 2009, AXA Group companies in Belgium used the independence criteria found in the AXA Group Corporate Governance Standards.

According to this document, in order to be considered independent, a director:

— Must not be, or have been during the past five years, an employee of the company or of a company with ties to the company;
— Must not be a partner or employee of the company's external auditor;
— Must have no family ties with any of the company's current directors;
— Must not have any significant direct or indirect business relations with the company or its affiliates.

These independence criteria were published in the 2009 Annual Reports of AXA Belgium and AXA Bank to enable directors appointed prior to the entry into effect of the law, and meeting these criteria, to sit as independent directors until 1 July 2011.

Since fiscal year 2009, all new appointments of independent directors meet the nine independence criteria described in Article 526c of the Company Code.

In addition, the Board pays special attention to the representative character of independent directors.

### *1.5.3 / Remuneration of Directors*

**General**
The remuneration policy for directors used by AXA Bank Europe is based on AXA Group's remuneration policy while conforming to local rules and market practices.

The primary goal is to reconcile its principles and structure with healthy and effective management of company risk.

**Remuneration policy structure**
AXA Bank Europe executive remuneration consists of a fixed component and a variable component. The balance between the two varies depending on the level of responsibility, it being understood that the fixed component is always adequate in order to allow for a flexible remuneration policy on the variable component.

The variable component consists of two parts:

— A non-deferred variable component defined by an annual cash target;
— A deferred variable component.

**Performance measurement for non-deferred variable remuneration**
The variable non-deferred component is determined based on:

— individual performance measured by the achievement of short and longer-term objectives;
— the performance of the person's home entity;
— the performance of AXA Group as a whole.

**Performance measurement for deferred variable remuneration**
AXA has a long-term remuneration plan (AXA Equity plan). Its principles may be adjusted on a regular basis, notably based on changes in the international legal framework.

The remuneration method, which is based on long-term motivation of employees, enables deferral of a significant portion of variable remuneration and concurrent compliance with the requirements of national and international regulators. On average, this remuneration amounts to over 50% of total variable remuneration.

The goal is to reward employees and gain their loyalty by binding them both to the intrinsic performance of AXA Group, to that of their home entity and to the performance of AXA stock over the medium/long term. Beneficiary selection criteria are: the importance of the position held, how critical the holder is to the position, how critical the person is to the future and the quality of their individual contribution.

The deferred variable component consists of two main vehicles:

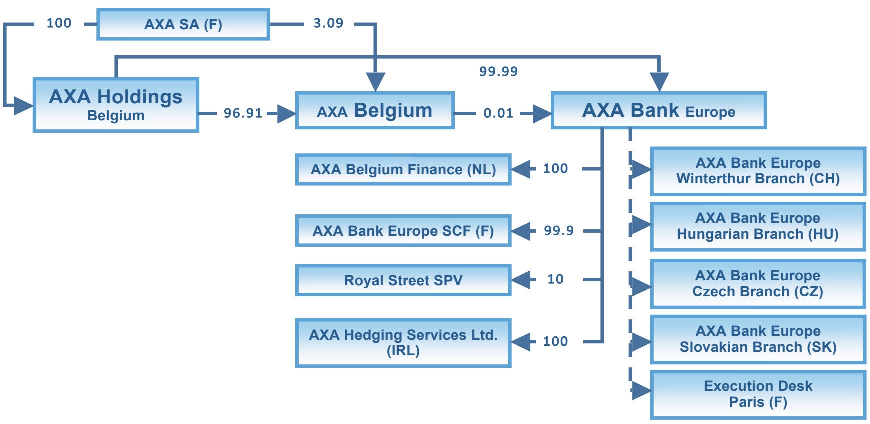
— stock options based on performance criteria with a total vesting period of four years and exercise within 10 years;
— performance Units based on performance criteria and paid in cash (or in shares, as selected by the beneficiary) after a vesting period of three years.

The principles listed above are also applicable to independent audit positions.

**Governance**
The remuneration policy is defined by a Remuneration Committee consisting of non-executive directors, at least one of which is independent as meant in the Company Code.

The committee prepares the decisions to be taken by the Board of Directors taking into account the repercussions on risk and the company's risk management, on one hand, and the long-term interests of the organization's stakeholders, on the other.

### *1.5.4 / Simplified AXA Bank Europe shareholding structure*



## 2 / RETAIL ACTIVITY INDICATORS BY ENTITY

### 2.1 / AXA Bank in Belgium

#### *2.1.1 / Market conditions*

The improvement of the international economic situation which began in mid-2009 continued and strengthened throughout 2010.

In Belgium, this positive change was apparent in a 2.1% annual GDP recovery. The trend was favorable for job creation and enabled a return to pre-crisis levels. This created conditions favorable for the recovery of consumption during the last months of 2010, while maintaining substantial savings. On average, Belgians saved 17.1% of their income over the past year.

The Belgian real estate market came through the crisis practically unscathed. However, the recovery seems to be slowing despite the continuation of very favorable financing conditions. What's more, the main factors that contributed to growth over past few years will gradually disappear over the longer term.

2010 was uneven in terms of rate fluctuations. Long-term rates experienced an uninterrupted period of decline though the end of August (with the lowest historical OLO10 at 2.85%) then increased to about 4% after November. This abrupt increase was tied to the sovereign debt crisis. Credit spreads tended to be on sovereign debt rather than on corporate debt.

The rate curve experienced moderately positive change that, nevertheless, generated a positive transformation margin.

The OLO/IRS spread widened at the end of the year generating additional revenue when housing loans were re-priced.

Short-term rates reached particularly low levels. Competition in savings products was fierce in a very competitive market.

#### *2.1.2 / Savings activities*

Given the low market rates, it was essential to maintain our margins. Consequently, rates on all savings accounts were revised downwards a first time on February 1st. Rates on I+ and I+Welcome were decreased a second time on October 15th.

Net collections were in line with projections (+ EUR 13 million, but significantly lower than in 2008 and 2009). Three-year "certirente" shares were very positive (+ EUR 600 million) and I+Welcome shares (+ EUR 175 million) and Spaar + (+ EUR 442 million) were very favorable.

The change in outflows was in line with 2009 until mid-October (drop in I+ and I+Welcome rates). Inflows, on the other hand, were clearly below the 2009 level because of a lack of pricing power.

#### *2.1.3 / Credit activities*

**Personal lending**

There was a clear recovery in installment loans following a very marked slowdown in 2009. Production grew by EUR 47 million to reach EUR 398 million. AXA Bank was well-positioned in the market thanks to its attractive product offering. In addition to car financing, we also granted many green credits intended for the financing of energy saving investments.

The housing credit market also continued the recovery begun in 2009. Mortgage loan production increased by 10% to reach EUR 1 993 million. These favorable market conditions were the result of, among other things, a persistent trend for investment in real estate rather than in securities investments with less attractive yields or greater risk. In addition, historically low interest rates also certainly favored this trend.

**Business lending**

Business lending production fell slightly to EUR 358 million. This trend still reflects the direct impact of the economic crisis by, among other things, limiting the volume of investments agreed to by SMEs and the self-employed. This phenomenon was particularly evident in the long-term investment credit sector. The number of loans granted for the purchase of equipment and vehicles for professional use nevertheless held steady at the 2009 level.

**Quality of the credit portfolio**

Despite macroeconomic conditions that continue to be less favorable, and the persistent international phenomenon of higher credit risk, the global loan portfolio, consisting primarily of retail loans, remained fundamentally sound. In 2010, AXA Bank recorded a net loss ratio of +0.07%, that is, a decrease of two basis points compared to 2009.

#### *2.1.4 / Daily Banking*

In an extremely competitive market, AXA Bank persevered in growing its classic current accounts and its new internet-based current account, the Click Bonus. We should also point out that the debit card tied to this account is now organic since it can be entirely recycled. This was a first in the Belgian market and was also an accomplishment for our corporate responsibility. By mobilizing our agent networks and commercial campaigns, the portfolio grew by 12 533 active accounts and reached a total of 300 302 accounts. The total current account portfolio is now about 475 000 accounts. Account assets have reached EUR 1.44 billion.

The debit card portfolio (Bancontact/MisterCash – Maestro) increased by 5% to reach 395 364 cards. Card designs were revised and implemented in November.

Thanks to the many actions initiated in 2009, and continued in 2010, the downward trend in the credit cards portfolio was reversed. The result of these activities was an increase of 6% in our portfolio, that is, of 75 135 credit cards. Our market share is holding at 2.45%.

The number of active users increased (+22 736). This brought the total number of active users to 156 825, that is, growth of 17%. And since March, customers can check the status of their credit card spending via home banking.

AXA has become a MasterCard Principal Member and successfully migrated its Europay Affiliated Membership portfolio to its new Principal Membership status.

3D-Secure was implemented. This is a security protocol supported by Visa & MasterCard which increases the security of payments made by bank card (credit and debit) over the internet.

There are 483 cash machines in the network. Of these, 372 are accessible to holders of cards from other banks. We recorded 7.4 million withdrawals on an annual basis.

Preparations, studies and tests required for the implementation of a brand new web-based SelfService architecture were carried out with Diebold. This architecture is a first for the market. It includes dynamic web technologies, tools and a methodology created for the long-term, increased security, better integration (multi-access) and personalization of cash machines as well as lower costs for future developments (multiple banknotes, money recycling) and a full Open Multi-vendor architecture.

Several modifications were made in a special release at the end of November to adapt the consumer credit law to European directives, notably for the budgetplus account, installment loans and lines of credit on current accounts within the framework of issuing AXA Bank debit and credit cards.

The following projects were carried out as part of SEPA:

— availability of Sepa Direct Debit B2B for the self-employed and companies;
— implementation of the changes required by the rulebook for Sepa Credit Transfer.

## 2.2 / AXA Bank in Hungary

### *2.2.1 / Market conditions*

The economy continued to grow in Hungary during the fourth quarter following a good third quarter, reaching 2% over the same period in 2009. Net exports continued to be the main engine of growth while household consumption rebounded during the third quarter to become the second engine. Despite the severe recession of 2009, which led to a decrease in GDP to 6.7%, Hungary saw a rate of growth of 1.2% last year. GDP growth could reach 2.7% in 2011. Following a long period with “no inflationary pressure”, consumer prices shot up from October to December as a result of the shock in food and petroleum products. In addition to this, the upcoming implementation of crisis taxes led to rate increases in November and December. The unemployment rate receded by 100 bp starting in December, compared to a high of 11.8% recorded in April. The labor market recovery will continue to alternate between extreme moderation and months of stagnation.

While all credit agencies dropped their ratings of Hungarian credit to a minimum over the short-term, they did not go so far as to relegate it to junk category thanks to the announcement of a short-term fiscal adjustment program.

While the CHF/HUF fluctuation was contained between 175 and 190 until May 2010, it increased rapidly to reach a double peak above 220 in September and December. Aside from this high country risk, the dominant factor of this weakness was the strengthening of the Swiss franc. By comparison, EUR/HUF movement and volatility was far more restrained.

### *2.2.2 / Saving activities*

AXA continued its strategy of increasing deposits in a volatile savings climate. The Hungarian market exclusively maintained its interest rate for current accounts therefore making deposit offerings uniquely competitive in terms of the interest rate offered. AXA entered this market with an on-line services offer for daily banking while high rates rewarded short-term deposits and long-term savings offers in the savings area. For daily banking, AXA offers an account with VISA cards that is managed via a call centre and over the internet. AXA increased its internet banking offer in 2010 thanks to a new version of its iBanq software which enables customers to manage their accounts, scheduled payments and bank card limits. During the last quarter of 2010, AXA launched a long-term savings account for three to five years with a tax incentive thanks to which customers can save on taxes due on interest if they keep their savings on the long-term savings account for five years or reduce their payment to 10% if they choose the three-year option.

AXA wants to intensify its savings activities in the Hungarian market in 2011 to increase its deposit volumes by applying the injection strategy created by AXA Bank Europe: offer excellent short-term rates while maintaining competitiveness over the long term. We would also like to more distinctly emphasize our card activity which is an important engine for our daily banking offer - we increased payment security in 2011 by converting all cards available from AXA to chip cards.

### *2.2.3 / Credit activities*

The Hungarian loan market became more perilous because client mortgage loans are primarily in foreign currencies (mainly CHF) and because the HUF depreciated significantly compared to the CHF. AXA was the first market player in Hungary to redirect its activities to HUF mortgage loans (end of 2009). Our credit portfolio continued to be at the heart of our activity over the 2010 period. We launched a portfolio protection program (credit crisis program) intended to actively assist our customers in managing the situation in which the crisis had put them. Through this program, we focus on helping our customers to avoid an increase in litigation and on the restructuring of loans in litigation to stabilize the level of provisions. What’s more, we initiated new product development to provide long-term structural solutions to our customers and to ensure risk control for our future production. We offer short-term assistance by helping customers obtain favorable CHF exchange rates that will enable them to maintain their monthly installments. We created a team of dedicated advisers for customers experiencing difficulties. They are tasked with personally meeting with customers, reviewing their contracts, helping them set up a monthly installment plan they can handle and making up past due amounts. Concurrently with this customer assistance, AXA has also withdrawn from markets with increased risk, such as credit refinancing, to minimize its exposure to the Hungarian market.

We will continue to focus on the portfolio in 2011. Relief will be provided through March. A second wave of face-to-face meetings will be held by the same team of advisers with another group of target customers. The new products, which redefine our credit palette in order to achieve the goal of better balance between local market needs and AXA Bank Europe’s risk appetite, will be brought to market. The new products, based on the expertise gained by AXA Bank Europe in Eastern European markets are intended to stabilize our clients’ monthly HUF payments. With this credit offering, we are attempting to become part of both the ongoing evolution of the legislative framework and our customers’ personal situation: the combination of due date flexibility and the opportunity to adjust monthly payments will settle the mortgage relationship between customers and AXA. As part of our product offer renewal, we will be launching a new prevention program intended, first of all, for our most vulnerable customers. We will help them convert their foreign currency mortgage into a long-term loan, preferably in local currency. For new production, we are maintaining our presence in the market by targeting responsible loans based on long-term interest rate offers in HUF intended for the purchase of a home.

## 2.3. AXA Bank in the Czech Republic

### *2.3.1 / Market conditions*

The economy began to accelerate during the third quarter of 2009, in step with the stabilization of the economies of primary commercial partners and the effects of government measures to support growth. The third quarter of 2010 recorded growth of 3% over the third quarter of 2009. The improvement in external conditions should translate into continued economic growth which, according to estimates, will reach 2.2% in 2010. In August 2010, the new centre-right government issued policy statements setting the following primary tasks: public finance (max. 3% deficit in 2013 and a balanced budget in 2016), pension system, health care and tertiary education system reform and an increase in the transparency of public tenders. The austerity policy implemented by the government should translate into a moderate slowdown in economic growth to 2.0% in 2011.

As for the evolution of prices in the economy, the average rate of inflation reached 1.5% in 2010, with a high of 2.2% in December. The impact of administrative measures was the primary reason for price increases. This impact still reflected the effects of government measures intended to consolidate general government and the growth of regulated prices.

### *2.3.2 / Savings activities*

AXA Bank was created in February 2010. Its launch was backed by a large scale media campaign and public relations activities.

AXA Bank offers a savings account that is both simple and appealing with a loyalty premium, an e-banking system and a debit card tied to the account.

Interest per tranche:

- *For clients with a balance up to 1 million CZK, 2% interest + 0.5% loyalty premium;*
- *For clients with a balance in excess of 1 million CZK, 0.5% interest + 0.5% loyalty premium.*

The new bank was launched successfully in 2010: AXA Bank gained 17 000 customers during the campaign. AXA Bank acquired 34 000 new customers (of which 17 000 on-line) in just 10 months on the market and net collections of EUR 438 million.

## 2.4 / AXA Bank in Switzerland

### *2.4.1 / Market conditions*

2010 was once again dominated by a low and even decreasing interest environment. The monetary policy of the Swiss National Bank decreased the 3 months CHF LIBOR from 0.25% at the beginning of the year to 0.17% at the end of 2010 with a low at 0.11% in the middle of the year. As a result of that Swiss customers were faced with up to two interest reductions on their savings accounts in the past year with most of the banks offering rates around 0.375% by the end of the year. AXA Bank maintained its claim “attractive interests and more” offering 1.4% till September 2010 and 1.1% afterwards on its flagship product “Sparkonto Plus”.

### *2.4.2 / Savings activities*

AXA Bank in Switzerland continued to grow during its second year of business activity (+ 14 000 customers) increasing its client base by a greater proportion than in the previous year (nearly 13 000 customers) for a total of close to 27 000 customers. The growth in customer numbers is even more impressive when the high number of AXA employees who became customers of the bank in 2009 (about 2 500) is included. Nearly EUR 142 million in net collections was collected in 2010 compared to EUR 185 million the previous year. This reflects a slide in the product mix from term deposit products to savings accounts and the arrival at maturity date of high-rate term deposits in 2009. Given the economic and competitive situation (e.g., the rate climate, government guarantees) and reductions in marketing expenditures in 2010, the net collections growth recorded was as remarkable as it was encouraging.

Compared to 2009, the Sparkonto Plus (savings) account and the Vorsorgekonto 3a (savings-pension account) saw a net increase in new capital of EUR 163.3 million for the Sparkonto Plus and of EUR 18.7 million for the Vorsorgekonto 3a. Net inputs were EUR 41 million for term deposits (one-year term deposits). This was the result of consumer confidence and of interest rates substantially lower than in the first year and than the rate offered on the Sparkonto Plus account.

It is also clear that the various operational improvements implemented in 2010 contributed to the result. Since April 2010, customers and AXA Winterthur customer advisers can print their requests (i.e. at home) after filling out a form on the internet site. Over 3/4 of all requests received are printed this way, speeding up document circulation.

The two distribution channels (AXA Winterthur customer advisers and direct) were able to draw a greater number of customers than in the previous year. Slightly over 2/3 of AXA Bank customers became customers after contact with an AXA Winterthur adviser. In addition, the latter had greater leverage in terms of opportunities to reinvest life insurance policies reaching maturity in banking products than in 2009. There was an improvement over the previous year in attractive conversions of short-term savings accounts into long-term insurance savings.

Over the year AXA Bank increased the number of FTEs (full time equivalent) from 29 to 42 mirroring the increased customer base, our recognized high service delivery and also additional investments in the area of Sales Support, Product Management, Marketing and Projects.

## 3 / INVESTMENTS DIVISION INDICATORS

### 3.1 / ALM and Treasury

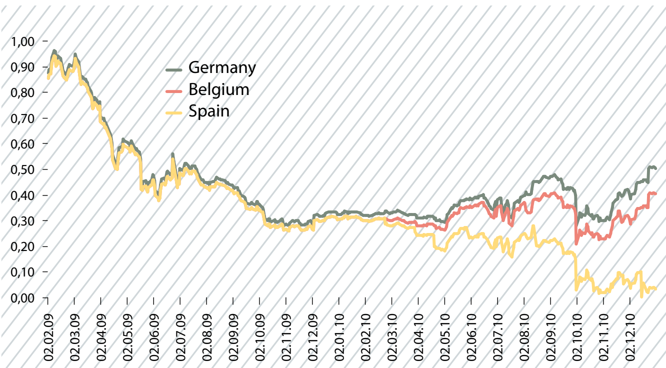
AXA Bank Europe's Asset Liability Management (ALM) provided a balance sheet management approach which has proved to be prudent especially during and after the recent liquidity & credit crisis. This was and is still being achieved through active balance sheet management & analytics, liquidity analysis, solvency, value & earnings analysis, future earnings forecast, mark to market valuation as well as scenario based methodologies. This ALM approach provided in depth understanding of AXA Bank Europe's risk positions and helped ALCO process to build effective hedging strategies and to manage value creation as well as complying with internal and regulatory limits.

With respect to balance sheet management, AXA Bank Europe demonstrated its prudential vision in a real-life stress scenario which revealed that there were no short-term liquidity problems. More precisely:

- AXA Bank Europe has extensive experience in monitoring stressed liquidity indicators and uses them to take strategic decisions;
- AXA Bank Europe has always ensured that it maintained high-quality liquidity buffers;
- In addition to access to personal savings thanks to its agent network, AXA Bank Europe also has direct access to liquidity thanks to institutional client funding.

Since the beginning of the credit and liquidity crisis, the principal indicator enabling evaluation of its seriousness has been the gap between guaranteed and non-guaranteed credit. Before 2010, sovereign debt with a rating above AA was sufficient to guarantee financing. There were few differences between the various European issuers. The gap between guaranteed and non-guaranteed credit now depends to a large extend on the issuer.

#### Change in the gap between German, Belgian and Spanish non-guaranteed and guaranteed credit




2010 saw an extension of the European Central Bank's policy on total liquidity allocation via weekly, monthly and quarterly auctions. In order to guarantee the liquidity of the government bond market, the ECB intervened in the government bond market as a buyer while freezing the liquidity injected.

In this context and in the context of increased external industry-wide regulatory requirements and ratios such as CBFA LI and Basel 3 LCR, AXA Bank Europe undertook a series of actions intended to improve its liquidity buffer and to reduce its structural liquidity gap.

As a first step, retail product strategies were reviewed to integrate balance sheet needs. Given this, ALM works very closely with Product Management to develop products to align balance sheet management and product strategies. It also took an active part in the product approval process.

The above-mentioned liquidity gap was then covered with a covered bond issue of EUR 750 million. This inaugural EUR 750 million, 10-year maturity, covered bond issue made under French law by the newly created ABE Société de Crédit Foncier (SCF) was carried out using an EMTN issue program that enables AXA Bank Europe to use the secured funding on a regular basis. The issue was rated AAA by S&P and Fitch. The initiative enabled AXA Bank Europe to further diversify its sources of funding and to take advantage of favorable market funding opportunities. For this issue in particular, the collateral pool consisted initially of senior RMBS notes issued by Royal Street SA/NV, Compartment RS-2. The bonds are backed by first rate Belgian mortgage loans originated by AXA Bank Europe.

The issuer (the French SCF) and the mother company (AXA Bank Europe) are not located in the same country which is a first for the French OF market. Since the guaranteed bond platform must still be created in Belgium, since the AXA brand is well-known in France, and since the French market is one of top markets in Europe, the decision to issue via the intermediary of a SCF was self-evident.

Thirdly, and as an example of its prudential liquidity management, AXA Bank Europe Treasury had and managed a bond buffer issued by European governments, on one hand, and securitization of residential mortgage loans issued by AXA Bank Europe, on the other. Thanks to the management of this cushion and the expertise gained in the repo market, the Treasury department was able to obtain cheap ongoing financing without having to resort to the facilities set up by the ECB.

Within the framework of the centralized funding configuration, this liquidity management gave way to management intended to ensure constant growth in retail banking customer numbers and volumes in Belgium, Switzerland, the Czech Republic and Hungary. In fact, AXA Bank Europe's Treasury department was able to maintain a sufficient liquidity margin to avoid any negative impact on the development of its commercial balance sheet.

While remaining liquid at all times, AXA Bank Europe was also able to take advantage of historically low interest rates and generate substantial transformation income of EUR 64.4 million in 2010.

AXA Group also translated its "re-use" recipe into the AXA Bank Europe environment by deciding to entrust the latter with an exchange and interest rate execution activity for part of its European and Asian life insurance activity. This Group activity was launched on the advice of AXA Hedging Services and it significantly increased rate swap and swaption volumes enabling AXA Bank Europe to mutualize the cost of its operations in the financial markets.

### 3.2 / Integration of AXA Hedging Services (AHS) and the creation of the Execution Desk Paris (EDP)

#### *3.2.1 / Background*

AXA Group decided to implement an innovative bank strategy which consists in developing banks in countries in which AXA insurance companies are already present. These banks focus primarily on a few new products, mainly via a direct banking model.

The Bank's European strategy will require in-depth reorganization of its activities in the capital markets:

— Given that the management of assets-liabilities and financing activities will be centralized in Brussels;
— Given that the Group wants to use the Bank as (among other things) a point of entry into the market.

Within this context, the integration of AXA Hedging Services in AXA Bank Europe in July 2008 was a first step in transforming AXA Bank Europe into an entry point for the coverage activities of AXA Group insurance companies outside of the United States. It consists of two distinct functions: analyses and recommendations for AHS coverage and market access provided by AXA Bank Europe Front Office.

### *3.2.2 / AXA Hedging Services & AXA Bank Europe*

AXA Hedging Services, Inc. was created in 2006 to handle the Group's development of variable annuities (VA) (outside of the United States). It has been a 100% subsidiary of AXA Bank Europe since 2008. Its role was, and still is, to design variable annuities on behalf of AXA's operational entities and to implement a daily coverage process for AXA entities via advice and recommendations.

Thanks to the AXA Bank Europe and AXA Hedging Services partnership, the Group has a service offering for the Group's insurance companies. It offers consistent management, professional advice and trading activities as well as the ability to transform financial flows within the Group.

### *3.2.3 / Execution Desk Paris*

EDP, which is part of AXA Bank Europe, is part of the latter's coverage activities' strategy for AXA Group insurance companies that negotiate insurance products based on VAs.

The second logical step taken by AXA Bank Europe to complete the integration of VA hedging activities for AXA Group entities was the launch of a reception and execution service for orders issued by AXA Group insurance companies active in the VA field (outside of the United States).

The services provided to AXA insurance companies by AXA Bank Europe Front Office follow the same scheme as the first order coverage services evaluated by the front office of AXA Bank Europe Brussels for futures, swaps and swaptions.

## 4 / COMMENTS ON RISK MANAGEMENT POLICIES

As are other banking institutions, AXA Bank Europe has to cope with strategic, credit, interest rate risk, liquidity, market, and operational risks that may impact its solvency, liquidity and earning objectives.

These risks are identified, measured, mitigated and continuously monitored through a well implemented internal risk appetite framework. With it, the bank's risk appetite objectives concerning these risks are translated into functional limits and hedging procedures.

During 2010, ABE specifically strengthened its risk appetite framework to further facilitate the bank's wide risk management through a constant monitoring and forecasting of key financial indicators and ratios on solvency, liquidity, earnings and value. All of ABE's material risks are taken into account in this comprehensive approach.

The following paragraphs will further define these risks.

They will highlight the key risk events of 2010 and will also provide an overview of the strategies and mitigation methods used by the bank to maintain these risks at desired levels.

### Strategic risk

Strategic risk is the risk that the bank's main objectives (in terms of solvency, of liquidity, of profitability and of value creation) may not be attained due to strategic decisions required from its Board of Directors or from its Management Board. It refers to decisions required to adapt to the external business environment, to improve the internal organization or to seize new strategic opportunities.

The management of this risk has been strengthened in 2010, namely by enhancing ABE's risk appetite framework to ensure that risk mitigation objectives are taken into account within ABE's strategic decision making processes.

ABE's risk appetite framework is therefore an integral part (and supports) ABE's strategic reviews, annual strategic planning exercises, financial planning processes, product approval processes and the management of strategic projects.

### Credit risk

Credit risk is the risk of loss associated with the default or the deterioration in the credit quality of counterparty exposures.

### *Retail credit risk*

The bank is mainly exposed to retail credit risk through its portfolio of retail loans (consumer loans, mortgage loans and small enterprises' loans) in Belgium and to mortgage loans in Hungary.

AXA Bank Europe further strengthened its European management of retail credit risk in 2010 by setting up a specific retail risk management team at the Head Office level. Other improvements were made to retail risk management in Belgium and in Hungary (see below):

#### Retail credit risk in Belgium

The following mitigation measures were put in place in 2010:

— A new acquisition scoring model was implemented for mortgage loans early 2010;
— An improved economic capital model was independently validated by Ernst and Young and subsequently implemented to better measure and mitigate this risk.

**Retail credit risk in Hungary**

The credit portfolio of the Hungarian branch of ABE was kept under a very close watch in 2010 due to its vulnerability resulting from exchange rate fluctuations.

A number of new mitigation measures were put in place in 2010[1]:

- Provisions were increased as a precautionary measure to reflect the weakening of the HUF and a deteriorated economic environment in Hungary;
- Foreign currency denominated lending was suspended in June to adapt to the challenging situation faced in the country. On top of that, credit policies were also further tightened and stricter income and loan to value requirements were put in place;
- A new economic capital model was independently validated by Ernst and Young and subsequently implemented to better measure and mitigate this risk;
- A new acquisition scoring model was implemented in July 2010.

### *Non-retail counterparty credit risk*

The bank's exposure to non retail credit risk is limited to selected investments (mostly well rated sovereigns, financial institutions and asset backed securities) and to high quality counterparties to hedge the derivatives done with AXA insurance companies.

AXA Bank Europe's entire bond portfolio is subject to limits on concentration risk and credit risk, which are monitored by a credit committee that ensures compliance with these limits. Impairments are registered in case of a credit event. However, when the liquidity of certain credit markets is no longer sufficient to ensure that market prices reflect the intrinsic value of securities, certain valuations were based on internal models ("marked-to-model" concept).

In 2010, AXA Bank Europe continued to act for AXA Group as a centralized platform to access financial markets[2]. The bank's exposures to derivatives therefore increased but continued to be mitigated through an extremely strict collateral requirement policy. An authorization to use netting for regulatory purposes was also approved by ABE's regulator.

AXA Bank Europe also launched a review of its investment policy to comply with expected upcoming Basel III requirements. The review is expected to be finalized in the 1Q2011.

### Interest rate risk

AXA Bank Europe's business focus on retail banking means that the bank concentrates its credit exposures on lower risk prime mortgage loans. The corollary of this business strategy is that AXA Bank Europe is exposed to higher interest rate risk due to the long duration of a part of its mortgage portfolio.

Interest rate risk is itself defined as the risk of potential adverse changes to the fair value of interest sensitive positions after movements in interest rates.

AXA Bank Europe's ALM department reports to the ALCO on AXA Bank Europe's structural interest rate risk exposures. It proposes scenarios for interest rate risk management decisions.

(1) Measures mentioned in ABE's IFRS 2009 were continued: Strengthening of new loan acceptance policies, implementation of exchange rate hedges.
(2) AXA Bank Europe started acting as a hub to provide AXA insurance companies with hedging services for their variable annuities products.

AXA Bank Europe's Risk Management department independently monitors risk exposures and compliance with agreed risk appetite limits.

In 2010, efforts were made to strengthen the bank's balance sheet reconciliation processes. A Product Control Unit was setup to optimize data quality and to streamline reporting procedures.

A new economic capital model was also independently validated by Ernst and Young and implemented.

Finally, further investments in AXA Bank Europe's systems and tools (QRM) were made. They will enable to bank to develop even more precise risk indicators in 2011.

### Liquidity risk

The management of structural liquidity risk is a priority for AXA Bank Europe.

This risk is defined as the risk that the structural, long term balance sheet can not be financed at reasonable cost and in a timely manner.

As an ALM risk, it is managed through the same governance that is used to manage interest rate risk (see above).

AXA Bank Europe also maintains (at all times) a buffer of liquid assets that allow it to resist stress scenarios consisting of assumptions of reduced liquidity on financial markets and significant withdrawals by customers.

In 2010, AXA Bank Europe issued with success a covered bond to improve its structural liquidity risk position. As stated previously, it also initiated a review of its investment policy to ensure its ongoing compliance with upcoming liquidity regulatory requirements.

Projects to fine-tune the bank's liquidity indicators are underway. They should be implemented early 2011.

### Market risk

Market risk is usually composed of the following risks:

| Risk | Definition |
|---|---|
| **Interest Rate Risk (non structural, short term)** | Risk of loss arising from potential adverse changes in the fair value of interest sensitive position after movements in interest rates. |
| **Exchange Rate Risk** | Risk of loss arising from potentially negative changes in fair position values (measured in home currency) due to exchange rate fluctuations. |
| **Credit Spread Risk** | Risk of losing money from market price movements of debt instruments that are caused by unexpected changes in credit spread. |
| **Price Risk (Equity)** | Adverse movements of exposures in stocks and other types of direct/indirect investments in enterprises that the bank is holding for trading activities. |
| **Market Liquidity Risk** | Risk that the firm cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. |

AXA Bank Europe's has a very conservative approach to market risk and does not engage in equity or commodities trading. As such, only the two first risks in the above list were considered material to AXA Bank Europe's activities in 2010.

AXA Bank Europe's ALCO is responsible to ensure that market risk management strategies are applied. It reviews market risk reports produced by the bank's Risk Management department and it monitors compliance with agreed risk appetite limits.

In 2010, AXA Bank Europe's Forex risk increased, mainly because of increasing retail activities in Hungary, in Switzerland, in Slovakia and in the Czech Republic.

Short term interest rate risk also increased because of the increasing use of derivatives to provide AXA insurance companies with hedging services for their variable annuities products.

Exposures to short term interest rate risk and exchange rate risk were nevertheless kept minimal through strict risk appetite limits.

### Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, or from personnel or systems. The failure or inadequacy may result from both internal and external causes.

Early in 2010, AXA Bank Europe validated a new Operational Risk Management Charter to enhance the governance of this risk.

The outsourcing of this risk's management to AXA Belgium's Risk Management department was also ceased as AXA Bank Europe setup its own dedicated operational risk management team.

AXA's operational risk framework already implemented in Belgium was further deployed within AXA Bank Europe's Hungarian and Switzerland branches. A detailed operational risk cartography was also made for AXA Bank Europe's newly launched Czech Republic branch.

Finally, AXA Bank Europe continued its investments to develop a more advanced economic capital model to measure this risk.

For the Board of Directors

Jef Van In
25 March 2011

# STATUTORY AUDITOR'S REPORT

## FREE TRANSLATION

### STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS OF THE COMPANY AXA BANK EUROPE SA AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosure.

#### Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of AXA Bank Europe SA and its subsidiaries (the "Group") as of and for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2010 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated statement of financial position amounts to EUR "000" 31 377 395 and the consolidated income statement shows a profit for the year (group share) of EUR "000" 12 342.

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of 31 December 2010 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

#### Additional remark

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional remark, which does not have any effect on our opinion on the consolidated accounts:

— The management report on the consolidated accounts deals with the information required by the law and is consistent with the consolidated accounts. However, we do not express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that we have not identified contradictions between the information provided and the information we have acquired in the context of our appointment.

Sint-Stevens-Woluwe, 31 March 2011

The statutory auditor
PricewaterhouseCoopers Corporate auditors
Represented by:

Emmanuèle Attout
Accredited Auditor

Gregory Joos
Accredited Auditor

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