AXA Bank Belgium

2018 IFRS Consolidated Financial Statements

Contents

All amounts included in the tables in the Consolidated Financial Statements are expressed in thousands of euros, and the comments in millions of euros, unless stated otherwise.
The figures are presented according to absolute values and must therefore be read in conjunction with the description of the relevant section, except in sections where there is a distinction between profits (absolute value) and losses (- sign).
The Consolidated Financial Statements of AXA Bank Belgium have been officially filed at the Central Balance Sheet Office of the National Bank of Belgium (NBB). This document in English is a free translation of the Consolidated Financial Statements produced in Dutch and French.
If a discrepancy should exist between the information contained in this publication and the official version filed at the National Bank of Belgium, it is the latter that prevails.

Consolidated Income Statement

Consolidated income statement in '000 EUR	2018.12	2017.12	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	320.315	302.386	
Interest income	2.096.150	1.606.178	
Financial assets held for trading (if accounted for separately)	1.556.852	1.107.505	
Non-trading financial assets mandatorily at fair value through profit or loss		N/A	
Financial assets designated at fair value through profit or loss (if accounted for separately)			
Financial assets at fair value through other comprehensive income	32.800	N/A	
Available-for-sale financial assets	N/A	35.421	
Financial assets at amortised cost	454.990	N/A	
Loans and receivables (including finance leases)	N/A	427.400	
Held-to-maturity investments	N/A		
Derivatives - Hedge accounting, interest rate risk	45.718	27.129	
Other liabilities		50	
On liabilities	5.790	8.673	
(Interest expenses)	1.812.761	1.405.792	
Financial liabilities held for trading (if accounted for separately)	1.520.645	1.073.664	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	27.333	31.698	
Financial liabilities measured at amortised cost	119.067	173.331	
Derivatives - Hedge accounting, interest rate risk	132.503	116.506	
Other liabilities			
On assets	13.215	10.592	
Expenses on share capital repayable on demand			
Dividend income			
Financial assets held for trading (if accounted for separately)			
Non-trading financial assets mandatorily at fair value through profit or loss		N/A	
Financial asssets at fair value through other comprehensive income		N/A	
Available-for-sale financial assets	N/A		
Investments in subsidiaries, joint ventures and associates other than accounted for using the equity method		N/A	
Fee and commission income	90.726	63.293	7
(Fee and commission expenses)	77.250	53.752	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	9.213	53.922	8
Financial assets at fair value through other comprehensive income	5.774	N/A	
Available-for-sale financial assets	N/A	44.636	
Financial assets at amortised cost	3.438	N/A	
Loans and receivables (including finance leases)	N/A	3.269	
Held-to-maturity investments	N/A		
Financial liabilities measured at amortised cost		6.018	
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	-39.931	-7.528	
Equity instruments and related derivatives	-27.271	-3.205	
Interest rate instruments and related derivatives	-10.658	-11.530	
Foreign exchange trading	-2.002	7.207	
Credit risk instruments and related derivatives			
Commodities and related derivatives			
Other (including hybrid derivatives)			
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net		N/A	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	27.921	10.604	9
Gains (losses) from hedge accounting	928	2.340	10
Exchange differences , net	3.720	-3.588	
Gains (losses) on derecognition of assets other than held for sale, net		-242	
Other operating net income	21.600	36.951	11

Consolidated income statement in '000 EUR	2018.12	2017.12	Disclosure
Administration costs	228.976	235.467	
Personnel expenses	92.928	88.850	13
General and administrative expenses	136.048	146.617	14
Depreciation	6.182	4.721	
Property, Plant and Equipment	2.095	2.058	23
Investment Properties			
Intangible fixed assets (other than goodwill)	4.087	2.663	24
Modification gains or (-) losses, net		N/A	
Financial assets at fair value through other comprehensive income		N/A	
Financial assets at amortised cost		N/A	
Provisions	5.762	-13.198	
Impairment losses on financial assets not measured at fair value through profit or loss	19.542	12.845	
Financial assets at fair value through other comprehensive income	-111	N/A	
Financial assets at amortised cost	19.653	N/A	
Financial assets measured at cost (unquoted equity)	N/A		
Available for sale financial assets	N/A		
Loans and receivables (including finance leases)	N/A	12.845	
Held to maturity investments	N/A		
Impairment on			
Property, plant and equipment			
Investment properties			
Goodwill			
Intangible fixed 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 associatesand 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	**59.853**	**62.552**	
Tax expense (income) related to profit or loss from continuing operations	14.916	21.115	16
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**44.937**	**41.437**	
Total profit or loss after tax from discontinued operations			
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	**44.937**	**41.437**	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	**44.937**	**41.437**	

Table CIS.1

Consolidated statement of realised and non-realised results in '000 EUR	2018.12	2017.12	
PROFIT (LOSS) FOR THE YEAR	44.937	41.437	
NON-REALISED RESULTS			
Elements not transferrable to result	11.357	-14.403	
Actuarial gains (losses) on defined benefit pension plans	1.029	10.824	(3)
Fair value changes of financial liabilities at fair value through profit or loss that is attributable to changes in their credit risk	14.140	-25.633	(4)
Fair value changes of equity instruments measured at fair value through other comprehensive income	-21	N/A	(5)
income tax related to previous elements	-3.792	406	
Transferred to profit or loss	-25.542	-24.324	
Foreign currency translation		-147	
Translation gains/losses taken to equity		-147	
Transferred to profit or loss			
Other reclassifications			
Cash flow hedges (effective portion)		33.114	(1)
Valuation gains/losses taken to equity			
Transferred to profit or loss		33.114	
Transferred to initial carrying amount of hedged items			
Other reclassifications			
Financial assets at fair value through other comprehensive income	-34.285	N/A	(2)
Valuation gains/losses taken to equity	-57.028	N/A	
Transferred to profit or loss	22.743	N/A	
Other reclassifications		N/A	
Available-for-sale financial assets	N/A	-77.961	(2)
Valuation gains/losses taken to equity	N/A	2.507	
Transferred to profit or loss	N/A	-80.468	
Other reclassifications	N/A		
Non-current assets and disposal groups classified as held for sale			
Income tax relating to components of other non-realised results	8.743	20.670	
TOTAL NON-REALISED RESULTS FOR THE YEAR	-14.185	-38.727	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	30.753	2.710	
Attributable to equity holders of the parent	30.753	2.710	
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			

Table CIS.2

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 euros).

Cash flow hedges (1)	2018.12	2017.12
Gross	0	33.114
Tax	0	-11.256
Net	0	21.859

Financial assets at fair value through other comprehensive income (2)	2018.12	2017.12
Gross	-34.285	N/A
Tax	8.743	N/A
Net	-25.542	N/A

Financial investments available for sale (2)	2018.12	2017.12
Gross	N/A	-77.961
Tax	N/A	31.925
Net	N/A	-46.036

Actuarial gains (losses) on defined benefit plans (3)	2018.12	2017.12
Gross	1.029	10.824
Tax	-257	-6.002
Net	772	4.822

Fair value financial liabilities-own credit risk (4)	2018.12	2017.12
Gross	14.140	-25.633
Tax	-3.535	6.408
Net	10.605	-19.225

Fair value changes of equity instruments measured at fair value through other comprehensive income (5)	2018.12	2017.12
Gross	-21	N/A
Tax	0	N/A
Net	-21	N/A

Table CIS.3

Consolidated Balance Sheet

Consolidated Balance Sheet - Assets in '000 EUR	2018.12	2017.12	Annexes
Cash and balances with central banks	403.853	597.263	17
Financial assets held for trading	773.776	1.247.291	18 / 22
Non-trading financial assets mandatorily at fair value through profit or loss		N/A	19
Financial assets designated at fair value through profit or loss			19
Financial assets at fair value through other comprehensive income	2.319.297	N/A	20
Financial assets at amortised cost *	22.817.320	N/A	21
Available-for-sale financial assets	N/A	2.952.270	20
Loans and receivables	N/A	21.921.564	21
Held-to-maturity investments	N/A		
Derivatives - hedge accounting	17.584	67.552	22
Fair value changes of the hedged items in portfolio hedge of interest rate risk	403.252	334.771	
Tangible fixed assets	37.297	38.015	
Property, Plant and Equipment	37.297	38.015	23
Investment property			
Intangible fixed assets	13.258	11.835	
Goodwill			
Other intangible assets	13.258	11.835	24
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill)			25
Tax assets	31.366	38.759	
Current tax assets	285	4.946	16
Deferred tax assets	31.080	33.812	
Other assets	135.587	106.786	26
Non-current assets and disposal groups classified as held for sale			
TOTAL ASSETS	26.952.589	27.316.107	

Table CBS.1

(*) includes reverse repos for an amount of 960 million EUR in 2018 and 1,015 million EUR in 2017.

Consolidated Balance Sheet - Liabilities in '000 EUR	2018.12	2017.12	Annexes
Financial liabilities held for trading	353.394	824.596	27
Financial liabilities designated at fair value through profit or loss	1.215.175	1.348.872	28
Financial liabilities measured at amortised cost	23.868.409	22.912.390	29
Deposits from Credit institutions	2.023	2.821	
Deposits from Other than credit institutions	18.187.591	17.873.758	
Debt certificates including bonds	4.821.556	4.214.547	
Subordinated liabilities	26.794	39.245	
Other financial liabilities	830.446	782.019	
Financial liabilities associated with transferred assets		486.026	30
Derivatives - hedge accounting	68.500	287.907	22
Fair value changes of the hedged items in a portfolio hedge of interest rate risk			
Provisions	233.775	212.803	31
Tax liabilities	32.643	35.177	
Current tax liabilities	29.142	28.030	16
Deferred tax liabilities	3.501	7.147	
Other liabilities	35.658	45.144	32
Liabilities included in disposal groups classified as held for sale			
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	25.807.553	26.152.915	

Table CBS.2

Consolidated Balance Sheet - Equity in '000 EUR	2018.12	2017.12	Annexes
Share capital	636.318	636.318	
Paid in capital	636.318	636.318	
Called up share capital			
Share premium			
Other Equity	91.552	91.469	
Equity component of combined financial instruments	90.000	90.000	
Other	1.552	1.469	
Non-realised results	2.716	9.188	
Items that will not be reclassified to profit and loss	-26.298	-38.606	
Tangible fixed assets			
Intangible fixed assets			
Actuarial gains/losses relating to defined benefit plans	-18.609	-19.381	
Non-current assets and disposal groups held for sale			
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates			
Changes in fair value of equity instruments measured at fair value through other comprehensive income	931	N/A	
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		N/A	
Change in fair value of a financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability	-8.620	-19.225	
Items that may be reclassified to profit and loss	29.014	47.794	
Hedge of net investments in foreign operations (effective portion)			
Foreign currency translation			
Cash flow hedges (effective portion)			
Fair value changes of debt instruments measured at fair value through other comprehensive income	29.014	N/A	
Hedging instruments [not designated elements]		N/A	
Available for sale financial assets	N/A	47.794	
Non-current assets and disposal groups held for sale			
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates			
Reserves (including retained earnings)	369.512	384.780	
<Treasury shares>			
Income from current year	44.937	41.437	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	1.145.035	1.163.192	35
TOTAL LIABILITIES AND EQUITY	26.952.589	27.316.107	

Table CBS.3

Roll Forward of Financial Assets at Fair Value through Other Comprehensive Income

2018-12	Gross value	Impact on taxes	net value
Eindbalans (vorig jaar)	63.675	-15.881	47.794
Impact IFRS 9	10.287	-2.574	7.713
Openingsbalans (lopend jaar)	73.962	-18.455	55.507
Investment brought in prior accounting periods			
Transfer to P&L following sale	-1.276	325	-951
Transfer to P&L following impairment write back recovery in value	-111	28	-83
Transfer to P&L following increase in impairment accounted in the accounting period	0	0	0
Transfers to P&L following changes in premium/discount	24.184	-6.164	18.020
Foreign exchange impact	1	0	1
Adjustments in the current accounting period	-57.103	14.554	-42.549
Investments bought in the current accounting period			
Adjustements in the current accounting period			
Closing balance	39.657	-9.712	29.945

Table CBS.4

2017-12	Gross value	Impact on taxes	net value
Opening balance	141.637	-47.806	93.831
Investment brought in prior accounting periods			
Transfer to P&L following sale	-44.636	18.279	-26.357
Transfers to P&L following changes in premium/discount	36.009	-14.746	21.263
Foreign exchange impact	-2	0	-2
Adjustments in the current accounting period	-69.333	28.392	-40.941
Investments bought in the current accounting period			
Adjustements in the current accounting period			
Closing balance	63.675	-15.881	47.794

Table CBS.5

Consolidated Statement of Changes in Equity

Sources of equity changes 2018.12 in '000 eur	Paid in capital	Equity components of combined financial instruments	Other equity instuments	Unrealised gains and losses - reserves from foreign currency translations	Unrealised gains and losses - cashflow hedges	unrealised gains and losses - at fair value through other comprehenive income	actuarial gains and losses - pension benefits	Own credit risk - financial liabilities	non current assets and disposal groups - held for sale	reserves (including retained earnings)	income from current year*	Total
Closing balance (previous year)	**636.318**	**90.000**	**1.469**	**0**	**0**	**47.794**	**-19.381**	**-19.225**	**0**	**384.780**	**41.437**	**1.163.192**
Impact IFRS 9 **						**7.713**				**-6.417**		**1.296**
Opening balance (current year)	**636.318**	**90.000**	**1.469**	**0**	**0**	**55.507**	**-19.381**	**-19.225**	**0**	**378.363**	**41.437**	**1.164.488**
changes in capital												**0**
issuance												**0**
profit (loss)											44.937	**44.937**
Dividends declared										-50.000		**-50.000**
Change in fair value of financial assets at fair value through other comprehensive income						-25.562						**-25.562**
changes in fair value			83				772	10.605				**11.460**
cash flow hedges												**0**
releases to retained earnings										41.149	-41.437	**-288**
capital reduction	0											**0**
other												**0**
Closing balance	**636.318**	**90.000**	**1.552**	**0**	**0**	**29.945**	**-18.609**	**-8.620**	**0**	**369.512**	**44.937**	**1.145.035**

Table CSCE.2

* of which 44.9 million EUR attributable to the shareholders of the parent company

** see details in chapter 3.3 *IFRS 9*

Sources of equity changes 2017.12 in '000 eur	Paid in capital	Equity components of combined financial instruments	Other equity instuments	Unrealised gains and losses - reserves from foreign currency translations	Unrealised gains and losses - cashflow hedges	unrealised gains and losses - at fair value through other comprehenive income	actuarial gains and losses - pension benefits	Own credit risk - financial liabilities	non current assets and disposal groups - held for sale	reserves (including retained earnings)	income from current year*	Total
Opening balance	**681.318**	**90.000**	**1.125**	**147**	**-21.859**	**93.830**	**-24.203**	**0**	**0**	**281.356**	**100.598**	**1.202.313**
changes in capital												0
issuance												0
profit (loss)											41.437	**41.437**
Cash dividents declared												0
Revaluation change of available for sale financial assets						-46.036						**-46.036**
changes in fair value			344	-147			4.822	-16.240				**-11.222**
cash flow hedges					21.859							**21.859**
releases to retained earnings										100.439	-100.598	**-159**
capital reduction	-45.000											**-45.000**
other												0
Correction								-2.985		2.985		0
Closing balance	**636.318**	**90.000**	**1.469**	**0**	**0**	**47.794**	**-19.381**	**-19.225**	**0**	**384.780**	**41.437**	**1.163.192**

Table CSCE.2

* of which 41.4 million EUR attributable to the shareholders of the parent company

Explanation of the Line 'Impact IFRS 9':

Column 'Unrealised results – reserve from OCI revaluation': 7.7 million EUR

- Reclassification: part of the bonds portfolio held to match the estimated duration of liabilities without stated maturity (such as savings accounts) and for interest yield purposes is classified in the business model 'hold to collect' and measured at amortised cost. Under IAS 39 these were previously classified as 'available for sale' and measured at fair value through OCI. This increases OCI in the opening balance sheet with 10.2 million EUR. After deferred taxes for an amount of 2.5 million EUR, the net impact after taxes is 7.6 million EUR.

- Remeasurement: the application of the new IFRS 9 policies regarding impairment based on expected credit losses on bonds classified in the business model 'hold to collect and sell' has increased OCI with 0.1 million EUR (both before and after taxes).

Column 'Reserves (including retained earnings)': -6.4 million EUR

- Remeasurement: the application of the new IFRS 9 policies regarding impairment based on expected credit losses on loans and bonds classified in the business model 'hold to collect' has increased the impairments ad reduced the reserves with 8.6 million EUR. After deferred taxes for an amount of 2.1 million EUR, the net impact after deferred taxes is -6.4 million EUR.

More details regarding the new IFRS 9 policies are mentioned in chapter 3.3 *IFRS 9*.

Consolidated Cash Flow Statement

OPERATING ACTIVITIES	2018.12 in '000 EUR	2017.12 in '000 EUR
Net profit (loss)	44.936	41.437
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	12.263	26.066
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	14.916	21.115
Unrealised foreign currency gains and losses		-147
FV through P&L	-2.653	5.098
INVESTING AND FINANCING	31.485	4.368
Depreciation	6.182	4.721
Impairment	19.541	12.845
Provisions net	5.762	-13.198
Other adjustments	5.686	-11.233
Cash flows from operating profits before changes in operating assets and liabilities	94.370	60.638
Decrease (increase) in working capital (excl. cash & cash equivalents):	-215.665	-18.950
Decrease (increase) in operating assets (excl. cash & cash equivalents):	183.820	401.271
Decrease (increase) in balances with central banks	-2.237	
Decrease (increase) in loans and receivables	N/A	-1.283.818
Decrease (increase) in available-for-sale assets	N/A	1.298.063
Decrease (increase) in financial assets at amortised cost	-915.406	N/A
Decrease (increase) in financial assets at fair value through other comprehensive income	614.304	N/A
Decrease (increase) in financial assets held for trading	473.515	396.213
Decrease (increase) in financial assets designated at fair value through profit or loss		
Decrease (increase) in non-trading financial assets mandatorily at fair value through profit or loss		N/A
Decrease (increase) in asset-derivatives, hedge accounting	49.968	30.206
Decrease (increase) in other assets (definition balance sheet)	-36.324	-39.393

OPERATING ACTIVITIES	2018.12 in '000 EUR	2017.12 in '000 EUR
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	-399.485	-420.221
Increase (decrease) in deposits from credit institutions	-798	354.181
Increase (decrease) in deposits (other than credit institutions)	316.070	-240.200
Increase (decrease) in debt certificates (including bonds)	607.009	756.629
Increase (decrease) in financial liabilities held for trading	-436.987	-267.431
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-165.259	-152.904
Increase (decrease) in liability-derivatives, hedge accounting	-287.888	-37.854
Increase (decrease) in other financial liabilities	-437.599	-823.137
Increase (decrease) in other liabilities (definition balance sheet)	5.966	-9.505
	-121.296	41.688
Income taxes (paid) refunded	-2.776	-586
Net cash flow from operating activities	-124.072	41.103

INVESTING ACTIVITIES	2018.12 en '000 EUR	2017.12 en '000 EUR
(Cash payments to acquire tangible assets)	-1.377	-258
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-5.510	-5.961
Net cash flow from investing activities	-6.887	-6.219

FINANCING ACTIVITIES	2018.12 en '000 EUR	2017.12 en '000 EUR
(Dividends paid)	-50.000	
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-12.452	-49.797
Cash proceeds from issuing shares or other equity instruments		-45.000
Net cash flow from financing activities	-62.452	-94.797
Effect of exchange rate changes on cash and cash equivalents		

	2018.12 en '000 EUR	2017.12 en '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	-193.410	-59.913
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	597.263	657.176
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	403.853	597.263
Components of cash and cash equivalents:		
On hand (cash)	68.170	58.960
Cash and balances with central banks	329.210	526.735
Loans and receivables	N/A	11.568
Available-for-sale assets	N/A	
Financial assets at amortised cost	6.473	N/A
Financial assets at fair value through other comprehensive income		N/A
Total cash and cash equivalents at end of the period	403.853	597.263
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	2.096.150	1.606.178
Dividend income received		
Interest expense paid	1.812.763	1.405.791

The cash and cash equivalents decreased by 193.4 million EUR in 2018, mainly because of a decrease in current accounts with central banks (-197.5 million EUR).

The operating activities had a negative impact on the net cash and cash equivalents of 124.1 million EUR. First, cash flows from operating profits increased by 94.4 million EUR. In addition, cash flows resulting from the asset and liability changes (working capital) reflected a net increase of 215.7 million EUR. Company assets dropped by 183.8 million EUR, especially in financial assets at fair value through OCI (-614.3 million EUR) and trading financial assets (-473.5 million EUR), partly offset by an increase of the financial assets at amortised cost (915.4 million EUR). The operating liabilities dropped by 399.5 million EUR, mainly due to other financial liabilities (-437.6 million EUR) and the trading financial liabilities (-437.0 million EUR), partly offset by an increase of the debt certificates (607.0 million EUR).

The financing activities decreased with 62.5 million EUR, resulting from the interim dividend paid (50 million EUR) and the repayment of subordinated loans to an amount of 12.5 million EUR.

Investments resulted in a further decrease of cash and cash equivalents of 6.9 million EUR, mainly situated in the increase in intangible assets (5.5 million EUR).

The changes in liabilities arising from financing activities are fully due to changes from financing cash flows.

Notes to the Consolidated Financial Statements

1 General

At 31 December 2018, AXA Bank Belgium, a limited company under Belgian law, whose registered office is at 1000 Brussels, Troonplein/place du Trône 1 was a subsidiary 100% owned by AXA SA.

The legal consolidation scope of AXA Bank Belgium comprises the Belgian bank activities, the subsidiaries of AXA Belgium Finance B.V. and AXA Bank Europe SCF (Société de Crédit Foncier) and the SPV Royal Street NV/SA.

The following subsidiaries were not included in the consolidation scope during the financial year 2018 given their non-materiality (see more about this under chapter 2.1 *Consolidation Principles*).

- Motor Finance Company NV
- Beran NV

Further information regarding these companies can be found under chapter 25 *Investments in Subsidiaries, Joint Ventures and Associates*. The measurement method can be found in chapter 20 *Financial Assets at Fair Value through OCI*.

AXA Bank Belgium is part of the AXA Group, a leading international bank-insurer with 100 million customers, with 160,000 employees in 62 countries. Worldwide, AXA is the number 1 insurance brand and AXA Bank Belgium is a strong financial player in Belgium, elected to Bank of the year at the end of 2016, winning 2 Bank Awards in 2017 and 2018. AXA Bank Belgium with its customer-oriented approach focuses on proactively assisting 800,000 customers in the establishment and management of their assets. AXA Bank Belgium is the sixth Belgian bank based on balance sheet total and holds a strong position in the mortgage loan market. Investors can call on AXA Bank Belgium for personalised advice and financial guidance. Online and personal contact go hand in hand at AXA Bank Belgium due to the combination of its strong network of independent bank agents and user friendly digital tools.

2 Accounting Policies

2.1 Consolidation Principles

2.1.1 General

AXA Bank Belgium currently only has subsidiaries, i.e. companies over which it exercises full control, and an associated company, as mentioned under chapter 25 *Investments in Subsidiaries, Joint Ventures and Associates*, that is not consolidated for immateriality reasons.
Typically, all subsidiaries must be fully consolidated.
As a departure from this principle, AXA Bank Belgium has decided, based on the principles of relevance and immateriality, not to integrate the subsidiaries that are out of the consolidation scope for the application of the IFRS Consolidated Financial Statements. This decision applies to subsidiaries whose total balance sheet during the previous financial year constitutes less than 0.15% of the total balance sheet of AXA Bank Belgium, unless decided otherwise by the Board of Directors.
The subsidiaries AXA Belgium Finance BV, AXA Bank Europe SCF and the SPV Royal Street NV are fully consolidated.
See chapter 25 *Investments in Subsidiaries, Joint Ventures and Associates.*

2.1.2 Purchase of Entities of the AXA Group

Regarding 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 – *Business Combinations*. AXA Bank Belgium applies, in such a case, a method under which the integrated assets and liabilities retain the same carrying amount as in the purchased entity. Adjustments are only implemented to achieve harmonisation of accounting policies.

2.2 Financial Assets and Liabilities

2.2.1 Recognition and Initial Measurement

The balance sheet of AXA Bank Belgium includes principally the following financial assets: loans and receivables, bonds and derivatives. Furthermore, AXA Bank Belgium has a very small equity portfolio. The main financial liabilities are deposits, debt securities issued, subordinated loans issued and derivatives.

Bonds are defined as negotiable paper generating interest through coupons or interest capitalisation.
Shares are contracts evidencing the residual interest in the assets of an entity after deducting all its liabilities.

Financial assets and liabilities are recognised when AXA Bank Belgium becomes party to the contractual provisions of the instrument, which is the origination date for loans and receivables, deposits, debt securities issued, and subordinated loans issued, and the trade date for all other financial assets and liabilities (bonds, shares, derivatives).

Financial assets and liabilities are initially measured at fair value, plus or minus, if not at fair value through profit or loss, transaction costs and fees that are directly attributable to the acquisition or issue of the financial asset or financial liability. For loans and receivables, these transaction costs and fees include the acquisition costs paid to intermediaries, the handling costs charged to clients and the refinancing fees charged on mortgage loans. For bonds and shares, for reasons of immateriality, the transaction costs and fees are not added to the initial fair value. The portfolio commission on current and savings accounts are recognised immediately in profit or loss (fee and commission income and expenses). The management fees on current accounts are also recognised immediately in profit or loss (fee and commission income and expenses). Prepaid option premiums to compensate non-zero values at the start are part of the fair value.

2.2.2 Classification and Subsequent Measurement

2.2.2.1 Financial Assets: Measurement Categories

Financial assets are measured at amortised cost, at fair value through other comprehensive income (OCI) or at fair value through profit or loss, based on both:

- the business model used by AXA Bank Belgium for managing the financial assets, and
- the contractual cash flow characteristics of the financial assets.

The business models are determined by the Management Board based on the way in which financial assets are managed to achieve a certain goal. The determination of the business models considers experience regarding frequency, volume and time of selling, the reasons for the selling and expectations of future sales activities, the way in which the performance of the business models are reported to the key management personnel, how the risks are assessed and managed and how the managers are compensated.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if it meets the following conditions and is not designated as at fair value through profit or loss:

- the financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows (‘hold to collect’)
- the contractual terms of the assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

This measurement category is used by AXA Bank Belgium for loans and receivables and for part of the bonds portfolio that is held to match the estimated duration of the liabilities without stated maturity (such as savings accounts) and for interest yield purposes.

Interest revenue is calculated by using the effective interest method.

For these financial assets, a distinction is made in the income statement between the interest margin and realised profit and loss.

Impairment for expected losses is recognised on these financial assets through profit or loss.

Financial Assets Measured at Fair Value through Other Comprehensive Income (OCI)

A bond is measured at fair value through OCI if it fulfils the following conditions and it is not designated as at fair value through profit or loss:

- the financial assets are held within a business model whose objective is to hold financial assets in order both to collect contractual cash flows and to sell the financial assets ('hold to collect and sell')
- the contractual terms of the assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

This measurement category is used by AXA Bank Belgium for the part of the bonds portfolio held for liquidity purposes, balance sheet management and optimisation of the risk-return relationship.

Interest revenue is calculated by using the effective interest method.

At first recognition of a share that is not held for trading purposes, AXA Bank may irrevocably decide to measure the shares at fair value through OCI (except for dividends which remain in profit or loss). This decision is made instrument by instrument. AXA Bank Belgium has made use of this possibility.

The dividends are recognised in profit or loss when the company acquires the right to receive payment, it is probable that the dividend will be received and that the amount of the dividend can be measured reliably.

The changes in fair value of derivatives that are part of qualifying cash flow hedges are also recognised in OCI.

Financial Assets Measured at Fair Value through Profit or Loss

All other financial assets are classified as measured at fair value through profit or loss, including assets held for trading and derivatives that are not part of qualifying cash flow hedges.

Financial assets held for trading are financial assets that are acquired primarily for selling them in the short term or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking.

In addition, at initial recognition, AXA Bank Belgium may irrevocably designate a financial asset (that otherwise meets the conditions to be measured at amortised cost or at fair value through OCI) as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. After initial recognition, a reclassification within this category or to another category is no longer possible. AXA Bank Belgium has not used this category.

For these financial assets a distinction is made in the income statement between dividends received and fair value changes. However, no distinction is made between realised and unrealised gains and losses.

Reclassifications

Financial assets can only be reclassified if AXA Bank Belgium was to change its business model for the management of financial assets. Future changes to a business model are very infrequent and must be the result of significant external or internal changes to AXA Bank Belgium activities that are demonstrable to external parties. Any change to a business model must be approved by the ALCO Committee (and formally approved in a documented manner by all internal parties such as Risk Management, Finance, IT, Operations, etc.) and endorsed by the Board of Directors. After a change in the business model, AXA Bank Belgium will no longer carry out activities based on the old business model.

Reclassifications are only implemented prospectively without adjustment of previously recognised gains, losses or interest:

- reclassification of amortised cost to fair value through profit or loss: each gain or loss arising from the difference between the previous amortised cost and fair value is included in profit or loss
- reclassification of fair value through profit or loss to amortised cost: the fair value at reclassification becomes the new gross carrying amount
- reclassification of amortised cost to fair value through OCI: any gain or loss from the difference between the previous amortised cost and fair value is recognised in OCI

- reclassification of fair value through OCI to amortised cost: the financial assets are reclassified at their fair value at the reclassification date. In addition, the cumulative gain or loss in OCI is removed from equity and adjusted against the fair value of the financial asset at the reclassification date
- reclassification of fair value through profit or loss to fair value through OCI: the financial asset continues to be measured at fair value
- reclassification of fair value through OCI to fair value through profit or loss: the financial assets continues to be measured at fair value and the cumulative gain or loss in OCI is reclassified from equity to profit or loss.

2.2.2.2 Financial Liabilities: Measurement Categories

Financial liabilities are measured at amortised cost or at fair value through profit or loss.

Financial Liabilities Measured at Amortised Cost

All deposits, debt securities issued (except EMTNs) and subordinated loans issued are measured at amortised cost.

Interest paid is calculated using the effective interest method.

For these financial liabilities a distinction is made between the interest margin and the realised gains and losses.

Financial Liabilities Measured at Fair Value through Profit or Loss

Financial liabilities held for trading and derivatives that are not part of qualifying cash flow hedges are measured at fair value through profit or loss.

A financial liability held for trading is a financial liability that is incurred principally to repurchasing it in the near term or 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.

In addition, at initial recognition, AXA Bank Belgium may irrevocably designate a financial asset (that otherwise meets the conditions to be measured at amortised cost or at fair value through OCI) as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring of assets and liabilities or recognising the gains and losses on them on different bases. After initial recognition, a reclassification within this category or to another category is no longer possible. AXA Bank Belgium has not used this category.

In addition, at initial recognition, AXA Bank Belgium may irrevocably designate a financial liability (that otherwise meets the conditions to be measured at amortised cost) as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. In addition, if a contract contains one or more embedded derivatives, AXA Bank Belgium may designate the entire hybrid contract at fair value through profit or loss, except:

- if the derivative(s) embedded in the contract doe/does not significantly modify the cash flows that would otherwise be required by the contract, or;
- If it is clear, with little or no analysis, that separation of the embedded derivative(s) is prohibited.

AXA Bank Belgium has used this possibility in the case of issued EMTNs (European Medium Term Notes).

For this last category AXA Bank Belgium has opted to recognise all fair value changes in profit or loss, except for the changes in credit risk of the liability (DVA, debit valuation adjustment) that are recognised in OCI.

Reclassifications

Financial liabilities are never reclassified.

2.2.3 Amortised Cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition, increased or reduced by the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets adjusted for any loss allowance.

The effective interest rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate, AXA Bank Belgium estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses.

2.2.4 Calculation of Fair Value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place in the principal market of the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

If available, AXA Bank Belgium measures the fair value of an instrument using the quoted price in an active market for that instrument (= 'level 1'). A market is regarded as active if transactions for that asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If no quoted prices are available, AXA Bank Belgium uses valuation techniques that maximise the use of relevant and observable inputs (= 'level 2') and minimise non-verifiable inputs (= 'level 3'). The chosen valuation technique incorporates all factors that market participants would use when pricing a transaction.

The fair value when purchasing a financial instrument is normally the agreed transaction price. If AXA Bank Belgium however is of the opinion that the fair value is different from the transaction price and if the fair value was determined as non-observable elements these day one changes are postponed. These changes must then be written off over the term of the underlying instrument or until observable prices become available

2.2.5 Impairment

AXA Bank Belgium measures expected credit losses on financial assets at amortised cost and at fair value through OCI, on financial guarantees issued and on loan commitments issued through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses resulting from events on the financial instrument that are possible within 12 months after the reporting date) ('step 1'); or
- full lifetime expected credit losses (expected credit losses arising from all possible default events over the life of the financial instrument) ('step 2').

'Step 3' or non-performing includes financial instruments that have objective evidence of impairment and is equal to all defaulted instruments.

Interest revenue is calculated differently according to the status of the asset regarding credit impairment. In the case of a financial asset for which there is no objective evidence of impairment at the reporting date ('steps 1 and 2'), interest revenue is calculated by applying the effective interest rate method to the gross carrying amount. In the case of a financial asset that has become 'credit-impaired' ('step 3'), interest revenue is calculated by applying the effective interest rate to the amortised cost balance, which comprises the gross carrying amount adjusted for any loss allowance.

No impairment loss is calculated on financial assets at fair value through profit or loss.

For loan commitments and financial guarantee contracts, the date that AXA Bank Belgium becomes party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements.

Steps 1 and 2

Significant Increase in Credit Risk

At each reporting date, AXA Bank Belgium measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if there was a significant increase in credit risk since origination. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, AXA Bank Belgium measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A loss allowance is measured at an amount equal to 12-month expected credit losses for financial instruments for which the criteria for the recognition of lifetime expected credit losses are no longer met.

The criteria used by AXA Bank Belgium to identify a significant increase in the credit risk of a financial instrument at the reporting date in the retail book is based on the probability of default. AXA Bank Belgium transfers all financial instruments for which the probability of default over 12 months between origination date and reporting date has increased by a relative amount and to an absolute fixed level. Additional triggers are when the contractual payments are more than 30 days past due and in the case of forbearance or in case of negative mentioning in the Belgian Central credit register. For the non-retail book, the significant increase in credit risk identification is based on the rating of the financial instruments which must deteriorate by a minimum number of notches since the purchase date and to an absolute fixed level (in general below investment grade).

Low Credit Risk

AXA Bank Belgium considers a financial instrument's credit risk as low if the financial instrument

- has a low risk of default,
- the borrower has a strong capacity to meet its cash commitments in the near future, considering changes in the economic and business circumstances that could reduce the ability of the borrower to meet its credit obligations.

In particular, non-retail exposures that are ranked as investment grade (BBB- or higher) will be ranked automatically on the date of conclusion in step 1 (12-month expected credit losses). For public exposures, this is lowered to BB- and higher. In the retail portfolio, however, loans and receivables are never automatically considered ‘at low credit risk’. Consequently, all those loans and receivables are subject to a test for significant increase in credit risk.

Inputs, Assumptions and Valuation Techniques

The key inputs into the measurement of expected credit losses (ECL) are the following variables:

- probability of default (PD): the probability that the counterparty will default over a certain time horizon;
- loss given default (LGD): percentage of exposure at default (EAD) to be lost in the event of default of the counterparty;
- exposure at default (EAD): amount to which the bank is exposed in the event of default of counterparty.

The parameters for the retail book are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information and any prudential conservativeness is filtered out.

For the non-retail book, these parameters are derived from historical data and adjusted to statistically meaningful parameters. It should be highlighted that the non-retail portfolio consists solely of high investment grade and often secured exposures: sovereign and supranational bonds, reverse repos and secured loans. Therefore, expected credit losses are immaterial.

Two types of PDs are used for calculating ECLs:

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs;
- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for ‘stage 2’ and ‘stage 3’ exposures.

For the retail portfolio, AXA Bank Belgium derives the marginal PD from the Basel IRB model (‘Internal Ratings Based’) over a time frame of 12 months with the necessary adjustments to ensure that this results in the best possible assessment. In these models, AXA Bank Belgium uses customer- and contract-specific information that make it possible to group the credit portfolio into classes in which the credits have a similar risk for non-payment.

The lifetime PD is determined by forecasting the marginal PDs for the different time steps by including forward-looking macro-economic information (regression model). Beyond the forecasting horizon of the macro-economic variables, a long term target PD estimate is used to which the marginal PD will converge after some time. The typically decreasing PD behaviour, due to ageing, for certain portfolios such as mortgage loans, is considered.

EAD for the retail book is determined based on an estimate of the exposure at a future default date, whereas the non-retail book uses the gross carrying amount.

AXA Bank Belgium doesn't have any revolving products. The EAD for products with regular repayment is determined as follows:

- Balance sheet products: for products with regular repayment under IFRS 9, it is necessary to determine the redemption curve of each credit. For balance sheet products, the correct cash flow schedule is derived from the contractual data. Repayment tables are compiled on each reporting date by the IFRS 9-calculation module for all standard credit types:

    - Repayment with fixed instalments
    - Repayment with fixed capital repayments
    - Bullet loans

  Repayment is drawn up based on the exact payment frequency (monthly, quarterly, etc.).

- Structured mixed products: these have no fixed expiration date but depend on several behavioural activities (usually the case with credit cards, overdrafts, etc.). These are therefore modelled with a specific 'until further notice' contract type, in fact, a bullet cash flow schedule with a long maturity and an annual turnover. An assumption is made for products with no apparent maturity.

It uses a credit conversion factor (CCF) for credits that have yet to be fully taken up.

LGD is based on the difference between the contractual cash flows due and those that AXA Bank Belgium expects to receive, including from any collateral. For mortgage loans, loan-to-value ratios are used as a key parameter in determining LGD. For this purpose, a forecasted house price index is used. Beyond the forecasting horizon of the loan-to-value ratios, expert opinion is used to estimate the average yearly growth of the house price index.

There are two LGD models, for the material segments, depending on whether the credit is covered by a mortgage. If so, the LGD is calculated based on the mortgage model; If not, it is based on the non-mortgage model.

For the mortgage model, the Loss Given Recovery (LGR) and the Probability of Cure (PC) depends on the credit's Loan-to-Value (LTV). A credit's LTV is the ratio of all exposures of a customer versus the related safeguards. The LTV is recalculated for each period and for each scenario, because the credit amount is evolving because of repayments, and guarantees because of the evolution of real estate prices. The LGR takes the discount effect and the cost into account. The expected recuperation on a credit will also be discounted based on the time in the future.

For the non-mortgage model, the LGR depends on the original maturity of the credit and the elapsed term ('Years on Book'). The YOB is calculated based on the number of months that have elapsed since granting of the credit and the credit scoring in the LGD.

AXA Bank Belgium will derive the expected credit losses on the balance sheet based on a discounting of the expected losses (based on the effective interest rate), the contractual payments and possible advance payments, with adjustments for missed payments in the period that preceded the default.

Expected credit losses are calculated as a probability-weighted outcome probably based on 3 scenarios: a medium up-turn scenario, a base scenario and a medium down-turn scenario.

Grouping

Modelling of the parameters is done on a collective basis. The financial instruments are grouped based on common risk characteristics such as

- type of instrument
- credit risk ratings
- collateral type
- 'loan-to-value' ratio for mortgage loans
- date of initial recognition
- remaining duration
- number of years in the accounts.

The groups are regularly reviewed to ensure the different groups remain homogeneous.

Future-oriented Information

AXA Bank Belgium uses 3 years future-oriented information.

In the retail portfolio, the economic scenarios used include the following sets of core indicators:

- unemployment rate
- gross national product growth
- evolution of real estate prices

The derived macro-economic key indicators are those that are statistically the most relevant according to the AXA Bank Belgium macro-economic models. A series of macro-economic factors were tested, and its relationship assessed against the AXA Bank Belgium default rates. On that basis, the most appropriate core indicators reflecting the risk were derived. In addition, the macroeconomic core indicators are also the ones recommended by AXA Bank Belgium experts (such as the Loan-to-Value for the LGD). In addition, in the further monitoring of the IFRS 9 outputs, the point in time estimates are constantly compared with the real point in time amounts (which contain the observed point in time).

Step 3

Retail

The AXA Bank Belgium definition of default is in line with Directive (EU) No 575/2013, the directives of the European banking authority (EBA) on tolerance measures and non-payment, and the Capital Requirements Regulation of Basel III. AXA Bank Belgium has matched the definitions of default with credit-impaired and non-performing.

AXA Bank Belgium will flag a financial asset in the retail portfolio as 'default' if one or more of the following conditions is met:

- 'Unlikely to pay': the borrower will probably not be able to meet its full credit obligations, without taking possible remedy by AXA Bank Belgium as collateral into account;
- 90 days past due: the borrower has more than a 90 days default on a material credit obligation towards AXA Bank Belgium;
- 'Pre-litigation' (uncertain/'pre-litigation', PCX): the borrower has more than 90 days in arrears and is part of a recovery plan;
- 'Litigation' (doubtful/'litigation', CX): the borrower is 9 months or longer in 'pre-litigation' or the credit has ended.

Assumptions used for the recovery ratio ('cure rate'):

- 'Unlikely to pay': the borrower is no longer in forbearance; the borrower is past due less than 30 days;
- 90 days past due: the borrower is past due less than 90 days;
- 'Pre-litigation': no past due anymore;
- 'Litigation': irrevocable procedure

Probation period:

- 'Unlikely to pay': in the case of forbearance granted of at least 2 years since classification as 'non-performing/facility granted';
- 'Pre-litigation': 6 months (received no reminder in 6 months)

The elements that are considered in the estimates of non-payment and the importance of it may change over time to take account of changes in legislation, market practices, etc.

Non-retail

AXA Bank Belgium flags a financial asset in the non-retail portfolio as 'default' as soon as non-payment is established based on the terms and conditions of the contract.

Acceptable Credit Risk

In retail, each portfolio has a separate set of guidelines for granting a loan, including

- product: purpose of the facility, maximum amount, maximum duration
- scoring: a 'probability of default' score is awarded based on different characteristics. Based on that score, a decision is made on refusing or granting the loan. In some cases, management or an analyst may amend the decision should they determine certain elements were not considered.
- budget analysis: as a rule, the monthly disposable income should exceed the monthly repayment by a certain fixed amount
- guarantees: types of guarantees and minimum amount

With non-retail:

- portfolios 'hold to collect' and 'hold to collect and sell': the AXA Bank Belgium investment guidelines do not allow the purchase of bonds with a rating less than 'BBB'. If a bond previously had a higher rating and was reduced to a level below 'BBB', the Wholesale Risk Committee should decide whether the old position should be held or not.
- reverse repos: only regulated financial institutions with a rating of 'A-' or higher are eligible as counterparty for reverse repos
- deposits with banks: AXA Bank Belgium may not make deposits with banks without collateral. AXA Bank Belgium holds nostro accounts for its operations with different banks, but to a minimum, and doesn't make deposits with these banks
- The AXA Bank Belgium Board of Directors also established a suitable investment framework:
    - exposure to a group of interconnected issuers may not exceed a certain percentage of the capital, depending on the credit rating
    - for new investments, the exposure to a group of interconnected publishers may not exceed 25% of the total portfolio
    - bonds issued by the Belgian Kingdom are an exception to these rules, because they may be needed to avoid the basis risk in mortgage hedges
    - additional restrictions are in effect, such as in the nature of the issuer, restrictions in terms of maturity, maximum RWA, only EUR as currency, etc.

Forbearance Measures

Forbearance measures consist of concessions towards a borrower facing or about to face financial difficulties. Forbearance measures can be taken only if there is a mutual agreement between the borrower and the bank on these measures. Concessions are changes in the modalities of a credit facility or a total or partial refinancing in favour of the borrower, which are granted, when the borrower is in financial difficulties. This favour wouldn't be granted if the debtor is not experiencing financial difficulties. Concessions may (and not must) entail a loss for the lender and typically imply a change in the terms and conditions of the credit contract.

Triggered by specific events, the bank's credit exposure on a borrower is reviewed. On that occasion, a risk assessment is made by experts who can be assisted by rating models. This assessment is ultimately submitted to the competent decision level. From the moment a concession will be or is granted to a borrower, the following situations are considered as important indicators that the borrower is in financial difficulties. Financial difficulties refer to the situation in which the debtor is considered to be unable to comply with the terms and conditions of a credit ('troubled debt'). Financial difficulties must always be assessed on a client level.
The concession is thus to be classified as a forbearance measure when:

1. the modified facility was totally or partially past-due by more than 30 days (without being in default) at least once during the three months prior to its modification or would be more than 30 days past-due, totally or partially, without modification;
2. simultaneously, with or close in time to the granting of additional debt, the borrower made payments of principal or interest on another credit within AXA Bank Belgium; that was totally or partially 30 days past due at least once during the three months prior to its refinancing;
3. embedded forbearance clauses are used for borrowers who are 30 days past-due. Or who would be 30 days past-due without the exercise of these clauses.

When there are no indications that the debtor is in financial difficulties, the concession is not to be treated as forborne. By example, if the consumer asks for a reduction of his interest rate otherwise he will resign his loan, this is not forbearance even if it is a concession.
The forbearance classification on performing expositions can be stopped when all the following conditions are met:

1. the facility is considered as performing;
2. a minimum 2-year probation period has passed from the date the forborne facility was considered as performing or granted;
3. regular payments of the full foreseen amount have been made during at least half of the probation period;
4. none of the exposures to the debtor is more than 30 days past due at the end of the trial period (= minimum period during which a facility is to be catalogued as specified).

Derecognition

Loans and bonds are derecognised (in full or partially) when there is no realistic possibility of recovery. This will be the case when AXA Bank Belgium assumes that the borrower has insufficient assets or income sources which could generate sufficient cash flows to pay back the amounts concerned. Derecognised amounts may still be subject to recovery activities in line with relevant AXA Bank Belgium procedures.

2.2.6 Hedge Accounting

AXA Bank Belgium has chosen to continue applying the hedging principles of IAS 39 – Financial Instruments – Recognition and Measurement in place of that of IFRS 9 – Financial Instruments.

AXA Bank Belgium designates certain derivatives held for risk management in qualified hedging relationships. When concluding the hedge, AXA Bank Belgium formally documents the relationship between the hedging instrument and the hedged instruments, including the risk management objective and strategy when entering into the hedging relationship, as well as the method that will be used to determine the effectiveness of the hedging relationship.

The following types of hedges are used by AXA Bank Belgium:

- Fair value hedges: these hedge the risk of fair value changes of a recognised asset or liability (a micro fair value hedge) or a portfolio of assets or liabilities (macro fair value hedge) relating to a particular risk and that could have an effect on the profit or loss.
    - Micro fair value hedge: the continuing hedge effectiveness is reviewed periodically using prospective and retrospective testing. During each of the effective periods, the fair value change that is related to the hedged risk adjusts the carrying amount of the financial instrument. The fair value change is recognised directly in profit or loss. The fair value change of the corresponding derivatives is also recognised directly in profit or loss. As soon as the hedge is no longer effective, it is discontinued and the value adjustments – in the case of debt instruments – is depreciated over the remaining life of the instrument by adjusting the effective interest rate.
    - Macro fair value hedge: the continuing effectiveness of the hedge is reviewed periodically using prospective and retrospective testing. During each of the effective periods, the fair value change that is related to the risk of a reference amount being hedged is booked to the portfolio of underlying financial instruments. This fair value change is amortised. Based on IFRS, depreciation may start as soon as a value adjustment took place. The amortisation should start no later than when the hedged instrument is no longer adjusted for changes in fair value related to the hedged risk. AXA Bank Belgium has decided to start depreciation at the end of the hedge. The fair value change of the corresponding derivatives is booked directly in profit or loss.
- Cash flow hedges: these hedge the possible variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable expected future transaction and that could have an effect on the profit or loss. The continuing effectiveness of the hedge is reviewed periodically using prospective and retrospective testing. During each of the effective periods, the effective portion of the fair value change of the hedging instrument (derivative) is deferred in OCI and the ineffective portion is recognised in profit or loss. As soon as the hedge is no longer effective, it is discontinued. The deferred amount remains deferred through OCI until the expected future transaction is carried out, after which the results are included symmetrically in profit or loss with those of the risk being hedged.

2.2.7 Embedded Derivatives

An embedded derivative is a component of a hybrid contract that also contains a non-derivative host contract. The consequence is that some cash flows from the composite instrument change in the same way as that of a stand-alone derivative.

If a hybrid contract contains a host that is a financial asset, the regulation in point 2.2.2.1 applies for the entire hybrid contract.

If a hybrid contract contains a host that is a financial liability, an embedded derivative is separated from the host contract and recognised as a derivative, if and only if:

- the economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics and risks of the host
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative
- the hybrid contract is not measured at fair value through profit or loss (i.e. a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

If the contract, however, contains one or more embedded derivative and the host contract is a financial liability, AXA Bank Belgium may decide to designate the entire hybrid contract as at fair value through profit or loss, provided that the conditions specified in Chapter 2.2.2.2 Financial Liabilities: Measurement Categories, subject line 'Financial Liabilities at Fair Value through Profit or Loss' are met.

2.2.8 Derecognition

Financial Assets

AXA Bank Belgium derecognises financial assets when the contractual rights to the cash flows from the financial asset expire, or when they transfer the contractual rights to the receipt of cash flows from the financial asset in a transaction in which virtually all risks and rewards as the owner of the financial asset are transferred, or in which AXA Bank Belgium neither transfers nor retains nearly all risks and rewards, and no longer has control over the financial assets.

At the derecognition of the financial asset, the difference between the asset's carrying amount and the sum of the compensation received and the cumulative profit or cumulative loss that was embedded in OCI (except for shares designated at fair value through OCI) is included in profit or loss as realised gains or losses.

AXA Bank Belgium concludes transactions in which they are transferring assets on its balance sheet but retains all or substantially all risks and rewards of the transferred assets or a portion of it. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and repos.

Financial Liabilities

AXA Bank Belgium discontinues financial liabilities when the contractual obligations are discharged or cancelled or expired.

2.2.9 Presentation

Offsetting

Financial assets and financial liabilities are offset, and the net amount is included on the balance sheet if, and only if AXA Bank Belgium has a legally enforceable right to set off the amounts and intends either to settle them on a net basis, or to realise the receivable and the liability simultaneously.

Income and expense items are included gross except for the trading portfolio for which the results are set off.

Other presentation rules

For interest-bearing financial instruments, the interest is included in the interest margin, in other words apart from the measurement results (for financial instruments at fair value through profit or loss) and of the realised gains or losses.

For all financial instruments, except those that are measured at fair value through profit or loss, the measurement results and realised gains or losses are presented separately.

For financial instruments at fair value through profit or loss, no distinction is made between the measurement results and realised gains or losses.

2.3 Equity

Equity components are assessed at cost.

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

Dividends are deducted from equity when they become due.

2.4 Financial Guarantees Issued

Financial guarantees issued are initially recognised on the contract date. They are recognised at fair value, which typically corresponds to the received commission for issuing the financial guarantee. If the premium received does not correspond to market practices, the difference with the fair value is included immediately in profit or loss.

First, the received premium is amortised pro rata temporis over the term of the contract. This takes place on a per-contract basis.
It is subsequently checked (on a portfolio basis) whether a provision is to be created for potential or certain execution. This provision is discounted if the impact is material.

Derecognition takes place at maturity date or in the event of execution. The guarantee issued shall be derecognised for the guaranteed amount, which was built up through the provision.

2.5 Fee Income

Based on IFRS 15 – Revenues from contracts with customers, the commission income is accounted for in the income statement based on a five-stage approach:

- identification of the contract with the customer: at AXA Bank Belgium, these are mainly services provided for maintaining accounts, payment transactions, issues and placements, purchases and sales of securities, the holding of safes and securities accounts and financial guarantees issued. In principle, each transaction leads to 1 contract with the customer.
- identification of the performance obligations in the contract (description of the service as stated above).
- determining the transaction price, namely the amount charged per service provided. At AXA Bank Belgium, there are no performance fees, non-cash fees or financing components.
- allocation of the transaction price to the performance obligations in the contracts.
- recognition of revenue when or as the entity satisfies the performance obligation.

Based on these elements, the commission income for holding accounts, safes and securities accounts are in principle spread in the income statement over the term of the service provided, while the commission income for payment transactions, issues and placements, purchases and sales of securities and provided financial guarantees are included one shot in the income statement, at the time when the service is provided.

2.6 Foreign Currency Translation

The presentation currency of AXA Bank Belgium is the euro.

The functional currency is the euro for the parent company and the subsidiaries (all in the Eurozone).

2.6.1 Conversion of Monetary Components into a Functional Currency

Monetary components are currency units held as well as assets and liabilities which must be received or paid in a fixed number or a number to be determined of currency units. This concerns fixed rate securities, loans and receivables as well as the deposits and debts

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

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

Upon derecognition, monetary components in foreign currency are converted into euros at the current exchange rate on the transaction date or the spot price of the underlying exchange transaction.

2.6.2 Conversion of Non-monetary Components into a 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 euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

The periodic non-monetary remeasurement process differs depending on the measurement category:

1. for non-monetary components valued at cost, once the conversion into euros has taken place, this value in euros is maintained until derecognised from the balance sheet;
2. for non-monetary components falling under the valuation categories ‘Assets and liabilities designated at fair value through profit or loss’, there is a periodic revaluation of fair value, which consists of two components: the fair value change and the foreign currency exchange result. Both components are included in profit or loss;

3. for non-monetary components belonging to the valuation category ‘Financial assets at fair value through OCI’, there is also a periodic revaluation of the fair value, which consists of two components: the fair value change and the foreign currency exchange result. Both components are deferred in equity. If a negative rating should be booked as impairment, both components are booked from equity and transferred to profit or loss.

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

2.7 Contingent Assets and Liabilities and Provisions

2.7.1 Contingent Assets and Liabilities

Contingent assets are not recognised in the balance sheet; they are, however, included in the disclosures if an inflow of economic benefits is virtually certain.

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Contingent liabilities are not recognised in the balance sheet; they are, however, included in the disclosures, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.7.2 Provisions

Provisions are only recognised if a present obligation exists as a result of a past event, that can be reliably estimated and for which it is more likely than not that a payment will be required.

The existing obligation can be either legally enforceable or constructive.

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, considering 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 made is recognised as an asset.

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

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

2.8 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 the 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 and 35 years of service, bonuses or other remuneration, only paid more than one year following the closing date, the calculation of cash value of gross liabilities applies. The actuarial differences because of the periodic revision of valuations and assumptions are recognised directly in the income statement. At AXA Bank Belgium, pension plans fall under the defined benefit plan category.

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

1. present value of the gross amount of liabilities from defined contribution rights as at the balance sheet date, where the ‘projected unit credit’ method is used;
2. less the fair value on the balance sheet date of any plan assets from which the liabilities must be settled directly.

The latter plan assets can involve both assets and insurance contracts.

Assumptions and estimates are periodically revised and adjusted.

Profits or losses on the major curtailment or settlement of a defined benefit plan are recognised at the time the curtailment or settlement takes place.

Redundancy payments, including early retirement, are only recognised upon acquiring legal effect regarding third parties. Discounting is also applied if the payment is more than one year from the balance sheet date.

2.9 Income Taxes

2.9.1 Current Taxes

Taxes due and tax refunds receivable over the current reporting period relating to current and previous periods are recognised as a liability, provided 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.

2.9.2 Deferred Taxes

Deferred tax liabilities are recognised on 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 recognised on the balance sheet if the temporary differences can be settled in accordance with local tax legislation.
Other deferred tax assets are always recognised on the balance sheet since it is assumed that these temporary differences shall always be able to be recuperated.

At each closing date, the recoverability of the deferred tax asset is assessed. If the deferred tax asset cannot be recovered, impairment is accounted for. This impairment is 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 occurs per fiscal entity.

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

Assets or liabilities because of tax on profits are not discounted.

2.9.3 Estimate of Deferred Taxes

The following distinction is made regarding deferred taxes and their recoverability.

<u>Deferred tax through OCI</u>

These tax assets are booked on:

- adjustments regarding the actuarial assumptions used for the calculation of the provisions related to pension schemes;
- the measurement results on derivatives used for cash flow hedging;
- the measurement results on securities that are classified under the ‘financial assets measured at fair value through OCI’ category.

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 because of a difference in the timing of accounts being processed (including losses)

A deferred tax asset is recognised insofar as future accounting profits will be available to both recover the deferred tax asset and for the unused tax credit balance that can be offset.

2.10 Property, Plant and Equipment

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 over the term of the lease.

The initial recognition of tangible fixed assets obtained under a financial lease takes place for 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 based on the implicit interest rate.

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

Subsequent measurement takes place at amortised cost, which considers amortisation and periodic impairment testing.

For the depreciation, the residual value and the useful economic service life is considered. Typically, the depreciation of buildings must consider the 'component approach'. Due to the principle of immateriality on the one hand and to, on the other hand, also consider the accounting policies imposed by the parent company, AXA Bank Belgium has decided not to apply the component split 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 based on an independent survey:

- if the unrealised loss is less than 15%, no special impairment depreciation is booked;
- if the unrealised loss is more than 15% the 'discounted future cash flow' method is applied

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

- the cost price after deduction of the recorded depreciation;
- the higher value of the independent surveys and the value based on discounted future cash flow.

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 assessment and the cost after deducting the depreciation recorded (calculated based on the existing depreciation table for depreciation), with a maximum amount of for 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 selling costs. Such tangible fixed assets are no longer amortised and are presented separately on the balance sheet.

Depreciation booked during the financial year according to their economic life expectancy (linear method):

- land for own use: not depreciated
- buildings for own use: 3%
- building design: 10%
- IT equipment: 20%
- furniture, facilities: 10%
- non-IT machines and rolling equipment: 20%.

2.11 Intangible Fixed Assets

Set-up costs are directly recognised in the income statement, unless they can be identified as transaction costs for assets or liabilities

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 acquisition value, including additional expenses and directly attributable transaction costs. Software for which an annual license is paid is not capitalised.

Depreciation booked during the financial year according to their economic life expectancy (linear method):

- set-up expenses: accounted for in the income statement in the financial years in which they were spent
- software for own use, purchased from third parties: 10 to 20%
- software internally developed: 10 to 20%

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:

1. technical feasibility to complete the intangible asset, to make it available for use;
2. intention to complete and use the intangible asset;
3. capacity to use the intangible asset;
4. how the intangible asset is likely to generate future economic benefits;
5. availability of adequate technical, financial and other means to complete the development and use the intangible asset;
6. capacity to reliably evaluate expenses attributable to the intangible asset during its development.

Costs that do not meet these criteria as well as research costs are not capitalised.

Definitions:

- research phase: activities aimed at obtaining new knowledge; the search for applications or research findings or other knowledge; the search for alternatives for devices, products, processes, systems or services; formulation, design, evaluation and final selection of possible alternatives for new or improved 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 new devices, products, processes, systems and services; the design, construction and operation of a specific test environment; the design, construction and testing of a chosen alternative.

Intangible fixed assets are subject to an impairment test.

- AXA Bank Belgium assesses at each balance sheet date whether there is an indication of impairment. If such an indication exists, the bank shall 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 difference.
- If there is an indication that an asset should be impaired, the recoverable amount of the asset shall 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 in use at the balance sheet date.

2.12 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.

2.13 Supplementary Information

2.13.1 Events After the Balance Sheet Date

Events after the balance sheet date that show circumstances that existed at the balance sheet date (for example, additional information about already-made estimates), will require an adjustment to the financial statements, 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 financial statements from being misleading.

2.13.2 Interim Financial Reporting

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

2.13.3 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 IFRS.

A change in estimate is applied prospectively. Inasmuch as a change in estimate leads to changes in assets and liabilities, or relates 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 feasible to determine the consequences of a change in a financial reporting policy on comparative 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 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 disclosures.

3 Application of IFRS by AXA Bank Belgium

The Consolidated Financial Statements of AXA Bank Belgium were drawn up in compliance with the International Financial Reporting Standards (IFRSs) – including the International Accounting Standards (IASs) and Interpretations - at 31 December 2018 as accepted within the European Union.
Accounting policies that are not specifically mentioned comply with the IFRSs as accepted within the European Union.

3.1 Change in the Accounting Policies

AXA Bank Belgium has adopted IFRS 9 – *Financial Instruments* from 1 January 2018. This has led to a change in accounting policies (see Chapter 2.2 *Financial assets and liabilities*) and to adjustments to the amounts outstanding on that date (see Chapter 3.3 *IFRS 9*).

IFRS 9 also made significant changes to IFRS 7 – *Financial Instruments – Disclosures*. AXA Bank Belgium has implemented these changes in the tables and comments in the Consolidated Financial Statements 2018.

As permitted by the transitional measures stated in IFRS 9, AXA Bank Belgium has not adjusted the comparative figures for the previous financial year. All adjustments to the carrying amount of the financial assets on the transition date were included in the opening balance sheet of the 'retained earnings' heading in equity. The comparative figures for the previous financial year therefore contain the figures as published last year in the Consolidated Financial Statements 2017.

As permitted by IFRS 9, AXA Bank Belgium early adopted part of IFRS 9 in 2017, being the recognition in OCI of the Debit Valuation Adjustments to financial liabilities designated at fair value through profit or loss.

Based on possible choice in the IFRS 9 standard, AXA Bank Belgium decided to continue to apply hedge accounting under IAS 39 – Financial instruments – recognition and appreciation from the 2018 financial year. The methodology remains unchanged from the 2017 financial year.

The other accounting policies as applied by AXA Bank Belgium in the Consolidated Financial Statements 2018 are unchanged compared to last year.

3.2 Application Dates

An overview is provided below of the impact of changes regarding the IFRS standards. Any reference to the Group should be read as the consolidation scope of AXA Bank Belgium, whose parent company is AXA Bank Belgium.

Standards, Amendments to Standards, Interpretations and Amendments to Interpretations that have been published, accepted within the European Union and for the first time applicable on 1 January 2018

In addition to IFRS 9 – *Financial Instruments* (see chapters 3.1 *Change in Accounting Policies* and 3.3 *IFRS 9*) the following IFRS standards and interpretations were adopted for the first time from the 2018 financial year. None of these IFRS standards and interpretations led to material adjustments to the Consolidated Financial Statements 2018.

- The changes to IFRS 2: *Classification and Measurement of Share-based Payments*. These changes clarify certain share-based payment transactions and are not applicable for AXA Bank Belgium.

- The changes to IFRS 4 : Application of IFRS 9 – *Financial Instruments* and IFRS 4 – *Insurance Contracts.* Because AXA Bank Belgium doesn't issue insurance contracts, this standard is currently not applicable.

- IFRS 15 – *Revenue from Contracts with Customers* and *Clarifications to IFRS 15 – Revenue from Contracts with Customers.*

  Step 1 = Identify the contract with the customer
  Step 2 = Identify the performance obligations in the contract
  Step 3 = Determine the transaction price
  Step 4 = Allocate the transaction price to the performance obligations in the contract
  Step 5 = Recognise revenue when (or as) the entity satisfies a performance obligation

  See chapter 2.5 *Fee income* for more information.

- Modifications to IAS 40 – *Transfers of Investment property*. Those adjustments arrange the transfers from and to the category 'Investment property'. Because AXA Bank Belgium doesn't own investment property, this standard is currently not applicable.

- *Annual Improvements Cycle to IFRS standards 2014 – 2016*: small adjustments that do not fall under the scope of AXA Bank Belgium.

IFRIC 22 – *Foreign Currency Transactions and Advance Payments*. This IFRS interpretation clarifies the booking method of foreign currency transactions involving non-monetary assets or liabilities arising from prepayments. Because AXA Bank Belgium currently doesn't have transactions of that nature, this standard is currently not applicable.

Standards, Amendments to Standards, Interpretations and Amendments to interpretations that have been published, accepted within the European Union and only applicable at a future date:

- The new Standard IFRS 16 – *Leases*, published on 13 January 2016 and applicable for the IASB as from 1 January 2019. This Standard introduces a uniform recognition method for lessees. The impact for AXA Bank Belgium is non-material (only a limited number of leasing cars and a ground lease agreement for a small amount).

Other Changes:

Standards, amendments to standards, interpretations and amendment to interpretations as published by the IASB are first subject to an endorsement process in the European Union before they are applicable in the Consolidated Financial Statements of AXA Bank Belgium. Currently several amendments are still in the pipeline of that EU endorsement process, of which the most important is:

- the new Standard IFRS 17 – *Insurance Contracts*, published on 18 May 2017 and applicable for the IASB as from 1 January 2022. This Standard establishes the principles of recognition, measurement, presentation and disclosures of insurance contracts falling within the scope of the Standard. The Group is currently assessing the impact of this Standard on the Consolidated Financial Statements.

3.3 IFRS 9

As mentioned in Chapter 3.1 *Change in Accounting Policies* AXA Bank Belgium has applied IFRS 9 – *Financial Instruments* from 1 January 2018.

The transition of IAS 39 to IFRS 9 has led to the following shifts in the opening balance sheets on 1 January 2018.

Classification and Measurement

AXA Bank Belgium conducted a detailed analysis of the business models and the cash flow characteristics. The following table reconciles the carrying amounts of financial assets between the previous valuation categories based on IAS 39 and the new measurement categories based on IFRS 9.

ASSETS	Classification under IAS 39 31/12/2017	Classification under IFRS 9 01/01/2018	carrying amount under IAS 39	Carrying amount under IFRS 9	Reference
Cash and balances with central banks	Loans and receivables	Financial assets at amortised cost	597.263	597.263	5
Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets mandatorily at fair value through profit or loss	1.247.291	1.247.291	1
Debt securities	Available for sale	Financial assets at fair value through other comprehensive income	2.778.074	2.778.074	2
Debt securities	Available for sale	Financial assets at amortised cost	166.418	176.589	4
Equity	Available for sale	Financial assets at fair value through other comprehensive income	7.778	7.778	3
Loans and receivables	Loans and receivables	Financial assets at amortised cost	21.921.564	21.913.998	5
Derivatives - hedge accounting	Financial assets at fair value through profit or loss	Financial assets mandatorily at fair value through profit or loss	67.552	67.552	6
Fair value changes of the hedged items in portfolio hedge of interest rate risk	Financial assets at fair value through profit or loss	Financial assets mandatorily at fair value through profit or loss	334.771	334.771	6

1. Derivatives held for trading and bonds held under the business model 'held for trading' are both under IAS 39 and IFRS 9 measured at fair value through profit or loss.

2. Bonds held under the business model 'hold to collect and sell' whose objective is to hold financial assets to collect contractual cash flows and to sell the financial assets, and whose contractual terms of the underlying financial assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The following portfolio falls under this business model: a part of the bonds portfolio held for liquidity purposes, balance sheet management and optimisation of the risk-return relationship. As under IAS 39, that portfolio is measured at fair value through OCI.

3. AXA Bank Belgium has opted to measure shares at fair value through OCI. Cost may in limited circumstances be a valid indication of the fair value. No difference in measurement between IAS 39 and IFRS 9.

4. A part of the bonds portfolio that is held to match the estimated duration of the liabilities without stated maturity (such as savings accounts) and for interest yield purposes, is included in the business model 'hold to collect' and measured at amortised cost. Under IAS 39, this is currently classified as 'held for sale' and measured at fair value through OCI. The fair value of these bonds is 157.8 million EUR as at 31 December 2018. If these bonds had not been reclassified, the change in value would have led to an increase/decrease of 8.3 million EUR in OCI.

5. All loans and receivables are part of the business model 'hold to collect and sell' under IFRS 9 and measured at amortised cost, unchanged compared to IAS 39.

6. Derivatives used for hedging are both under IAS 39 and IFRS 9 measured at fair value through profit or loss, with an exception under both standards for derivatives used in cash flow hedges where, for efficient hedges, the value changes are included in OCI. The inefficient part is included in profit or loss under both standards. Likewise, in both standards, the accounting treatment of the fair value changes of the hedged positions when hedging the interest rate risk of a portfolio, is identical.

There are no changes for financial liabilities under IFRS 9, except for the booking of the DVA (Debit Valuation Adjustments) on financial liabilities designated at fair value through profit or loss (issued EMTNs), for which AXA Bank Belgium will include the changes in fair value in profit or loss and the changes in own credit risk (DVA) in OCI. AXA Bank Belgium has already early adopted this policy in 2017, as allowed by IFRS 9.

Reconciliation of the Balance Sheet Positions between IAS 39 and IFRS 9

Financial assets at amortised cost	Net carrying amount 31/12/2017	Reclassification	remeasurement	Net carrying amount 1/1/2018
Cash and balances with central banks				
Opening balance under IAS 39	597.263			
Closing balance under IFRS 9				597.263
Loans and receivables				
Opening balance under IAS 39	21.921.564			
remeasurement ECL			-7.566	
Closing balance under IFRS 9				21.913.998
Debt securities				
Opening balance under IAS 39	0			
Addition: available for sale		176.605		
remeasurement ECL			-16	
Closing balance under IFRS 9				176.589
TOTAL	**22.518.827**	**176.605**	**-7.582**	**22.687.850**
Financial assets mandatorily at fair value through profit or loss	**Net carrying amount 31/12/2017**	**Reclassification**	**remeasurement**	**Net carrying amount 1/1/2018**
Financial assets held for trading				
Opening balance under IAS 39	1.247.291			
Closing balance under IFRS 9				1.247.291
Derivatives - hedge accounting				
Opening balance under IAS 39	67.552			
Closing balance under IFRS 9				67.552
Fair value changes of the hedged items in portfolio hedge of interest rate risk				
Opening balance under IAS 39	334.771			
Closing balance under IFRS 9				334.771
TOTAL	**1.649.614**	**0**	**0**	**1.649.614**
Financial assets at fair value through other comprehensive income	**Net carrying amount 31/12/2017**	**Reclassification**	**remeasurement**	**Net carrying amount 1/1/2018**
Debt securities				
Opening balance under IAS 39	2.944.492			
Substraction: financial assets at amortised cost		-166.418		
Closing balance under IFRS 9				2.778.074
Equity				
Opening balance under IAS 39	7.778			
remeasurement ECL		-11	11	
Closing balance under IFRS 9				7.778
TOTAL	**2.952.270**	**-166.429**	**11**	**2.785.852**

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

	IAS 39 Provision under IAS 37 31/12/2017	Remeasurement	Loan loss allowance under IFRS 9 01/01/2018
Loans and receivable (IAS39)/Financial assets at amortised cost (IFRS 9)			
Loans and receivables	-76.563	-7.566	-84.129
Debt securities	0	-16	-16
Available for sale (IAS 39)/Financial assets at FVOCI (IFRS 9)			
Debt securities	0	-111	-111
Available for sale (IAS 39)/Financial assets at FVOCI (IFRS 9)			
Equity	-11	11	0
Loan commitments and financial guarantee contracts			
Provisions	-10.321	-782	-11.103

4 Risk Management

4.1 General

In 2018, AXA Bank Belgium has continued to build towards coherent and prudent risk management. The bank has broadly implemented robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring its risks.

AXA Bank Belgium has continuously adapted risk policies to stay on track in a constantly changing environment. AXA Bank Belgium believes its risk management arrangements are adequate regarding the bank's profile and strategy.

The European Central Bank (ECB) is the competent authority for prudential supervision of AXA Bank Belgium. This supervision was effectively carried out by the Joint Supervisory Team (JST) that consists of members of the ECB and the national supervisory body. Regular exchanges took place with the relevant supervisors by means of on-site inspections, workshops, interviews and reports.

In 2018, AXA Bank Belgium participated in the EU-wide stress test exercise where the resilience of the bank to economic shocks were assessed. The result of this exercise will serve as input to the Supervisory Review Evaluation Process (SREP) where the additional 'capital guidance' for the bank will be set.

As from 2017 the degree of refinancing of Belgian mortgages returned to a more moderate level. After 2 years of high volumes of refinancing, AXA Bank Belgium managed to reduce the pressure on profitability by achieving a significant new production of good quality mortgage loans.

As from June 2018, the Belgian supervisor imposed Belgian banks to hold on top of the 5% add-on an extra macro-prudential buffer of 33% of the RWA of mortgage loans covered by residential real estate in Belgium, under the IRB approach.

In addition to retail business, AXA Bank Belgium acted as an intermediary in providing financial services, mainly derivatives to various entities in the AXA Group As a result of the sale by AXA Group of AXA Life Europe combined with AXA Bank Belgium's stance not to trade with entities outside the AXA Group, this activity will be scaled down substantially as from 2019.

The liquidity position of AXA Bank Belgium remained at a comfortable level in 2018.

The bank's solvency position remains comfortable, benefiting from a prudent investment and credit underwriting strategy. The balance sheet total has dropped a little bit partly due to a decrease in covered bonds.

On request of the supervisor, AXA Bank Belgium adjusted the Deferred Tax Assets figures for December 2017. This resulted in a decrease in prudential capital on the one hand, and a decrease in Risk Weighted Assets on the other hand. All tables making comparisons with 2017, are updated with these figures:

- the tables 'Composition of useful capital' and 'Total own funds for solvency requirements' in chapter 4.7.3 *Own Funds*
- the table 'Capital ratios' in chapter 4.7.5 *Capital Ratios*
- the table 'Leverage ratio' in chapter 4.7.6 *Leverage Ratio*.

Risk Appetite

The permanent identification and quantification of the bank's material risks are at the heart of AXA Bank Belgium risk policy. These risks are measured, limited and constantly tracked using an internal risk appetite framework (Risk Appetite Framework, RAF).

A strategic risk appetite is determined for the main areas (capital, profitability, economic value and liquidity), taking the stress sensitivity of these domains into account and in line with the guidelines of the AXA Group. This strategic risk appetite is translated into functional risk limits and forms a guide for the daily activities in the various risks and product lines. This risk appetite model was approved by the Board of Directors and is used by this management body and the Management Board as a central tool for managing the risks in the bank.

All material risks are translated into relevant indicators, summarised in the 'risk dashboard'. This includes both regulatory and internal indicators. Different levels of severity are defined for each indicator, so management is warned early enough if an indicator approaches its maximum risk appetite. This 'risk dashboard' forms an integral part of the general risk monitoring process and is reported each month to the Management Board and the Group, and quarterly to the Board of Directors. These risks are also followed up in more detail by the relevant AXA Bank Belgium risk committees.

The prospects in the strategic plan and the budget are checked against the RAF limits. The strategic plan undergoes multiple iterations until equilibrium is reached between both profitability and risks. The strategic plan is designed so all risks fall within the risk appetite and the regulatory limits, while taking new and existing regulations into account to meet the regulatory requirements.

The risks are also subject to an economic capital model that generates forecasts covering different horizons. The economic capital is then distributed to all activities of the bank, and this based on the AXA Bank Belgium risk objectives. The management of AXA Bank Belgium imposes a limit on the total economic capital applied to ensure the bank always has enough financial resources . AXA Bank Belgium's risk appetite framework must set the appropriate governance, reporting requirements, limits, controls and decision processes to drive management decisions.

AXA Bank Belgium's risk appetite is documented and reported in various reports for internal and external use (supervisor, AXA Group Risk Management, external and internal audit). Any breach of alerts limits must be escalated to the members of the Management Board or the Board of Directors to, if needed, take corrective actions.

In the following sections, we will focus more on the important risk categories to which AXA Bank Belgium was exposed to in 2018, namely credit, market, liquidity, and operational risks. All these risks have a potential impact on the bank's objectives in terms of solvency, liquidity and profitability.

The other risks of the bank are described in the AXA Bank Belgium's 'Risk Disclosure Report'. This report contains all relevant tables and templates for AXA Bank Belgium, following the 'EBA Guidelines for Pillar 3 Disclosures (EBA/GL/2016/11)' and is publicly available on our website.

In line with its Public Disclosure policy, AXA Bank Belgium aims to be as open as possible when communicating to the market about its exposure to risk. The Risk management information that is provided in this section of the 2018 Consolidated Financial Statements of AXA Bank Belgium , is only a summary of the extensive communication in the Risk Disclosure report.

4.2 Credit Risk

4.2.1 *Credit Risk Management*

AXA Bank Belgium defines credit risk as the negative consequences associated with the default[1] or deterioration in credit quality[2] of counterparties in lending operations.

The goal of credit risk management is to ensure that a (set of) credit event(s) would not significantly threaten the bank's solvency nor profitability. To reach this objective, credit risk exposures are maintained within strict boundaries. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long term success of any banking organisation.

Within AXA Bank Belgium, credit risks are categorised as either retail credit risks or non-retail credit risks and managed accordingly. Non-retail risks comprise credit risk other than retail.

4.2.1.1 Retail Credit Risk

AXA Bank Belgium's main business is to provide credit facilities to private individuals, professionals and small businesses. These facilities are offered in Belgium only.

4.2.1.1.1 Risk policy, Limit Framework and Reporting

The purpose of credit risk management is to prevent that one or more credit events will materially affect the solvency or profitability of the bank.

To achieve this objective, loan portfolios must remain within certain predetermined limits. These limits are determined by a previously elaborated risk appetite framework (RAF) in which functional limits are defined. These functional limits are translated into operational limits which are used daily to ensure that the credit activity operates within the risk appetite defined by the Board of Directors. One can get a good understanding of the risk-evolutions because of these and other extensive reports by Risk Management on risk factors in the Belgian retail loan portfolio.

[1] Counterparty not able to fulfil contractually agreed financial obligations.
[2] Potential loss due to change in the fair value of credit exposures as a result of rating transitions of counterparties.

The risks on AXA Bank Belgium's mortgage loans, personal loans and professional credits are managed in four phases (acquisition, management, remedy and recovery) based on retail credit policies.

Retail credits are accepted based on a set of acceptance standards and policy rules. Acquisition scoring models are internally developed and regularly reviewed to assess the validity of these internal risk models. Moreover, Risk management set up in 2015 a risk-adjusted return on capital (RAROC) framework for mortgage lending activity. In 2016, the RAROC framework was extended to the professional and consumer lending activities. This RAROC framework has become an essential element in the risk-return analysis of the retail activities.

In 2017 a methodology for determining the lifetime expected credit loss was developed within the Risk department as foundation for the new upcoming accounting rules under IFRS 9. This new methodology which enables AXA Bank Belgium quantifying the lifetime credit risk as from the origination moment will help further evolving credit risk management. In 2018 AXA Bank Belgium implemented the new IFRS 9 accounting rules to comply with this new view on assessing credit risk.

An essential part of the credit risk policy is formed by the Bank Collection Department. The department adopts measures to minimize the bank's risk depending on the nature and severity of the incident. Moreover, the department determines the amount of monthly provisions to make for future write-offs.

In compliance with regulatory expectations, AXA Bank Belgium performs stress testing for retail credit risk. The main goal is to assess the sensitivity of credit losses for the existing credit portfolio as well as to assess the solvency of the bank under stressed situations.

The evolution of credit risk is actively tracked as part of the reporting for the Retail Risk Committee which reviews the risk on a regular basis. All these principles lead to a highly effective risk management system with control processes that prevent undesired manipulations. This system is strongly integrated into the operations of the 'Retail Credits' division and is subject to continuous monitoring.

4.2.1.1.2 Risk Mitigation Techniques

AXA Bank Belgium defines in its credit policies the need to establish collaterals to mitigate the credit risk.

Policies and Processes for Collateral Valuation and Management

At the moment of establishing a mortgage inscription/mandate, a valuation of the underlying real estate is done.

Two types of valuations are allowed. On the one hand, the valuation of the real estate is done by means of an independent external assessment. On the other hand, the valuation can be done by relying on official sales agreements. The latter method is only allowed for financing projects where the risk for an incorrect valuation is mitigated. Once the collateral is established, a yearly revaluation of the underlying real estate is done based on the statistics of how Belgian's real estate market is evolving.

This valuation technique is applied on residential as well as commercial real estate, yet the valuation of commercial real estate is done in a more prudent way given the higher volatility.

Main Types of Collateral Received

Based on the product there are different types of collaterals given.

Collateral for Mortgage Loans

The credit must be secured by a mortgage (inscription or mandate) on an immovable property (full ownership). The properties should be normally marketable. The mortgage that must be provided can be reused in the context of potential subsequent mortgage loans. All collaterals complementing mortgage must be provided before the official registration of the loan (this also therefore applies for additional movable guarantees).

Collateral for Professional Loans

These collaterals are the following:

- Tangible collaterals concern a property, movable or immovable, with an intrinsic value.
- Personal guarantees consist of claims against a person
- Moral undertakings provide no means of enforcement to the bank and rely on the honesty of those that have issued them.

A list of collaterals regularly used for professional credits at AXA Bank Belgium can be found in chapter 34 *Contingent Assets and Liabilities*.

Collateral for Consumer Loans

For consumer credits only one type of collateral is used:

- transfer of debt collection or act of relinquishment of wages and other income.

4.2.1.2 Non-retail Credit Risk

Besides retail related credit risk, AXA Bank Belgium incurs credit exposure to high quality counterparties and issuers through its treasury, intermediation and asset & liability management activities. The first area where credit risk is incurred is the investment portfolio under management of the ALM department. Secondly, AXA Bank Belgium is designated by AXA Group to act as a centralised platform which provides AXA insurance entities access to financial markets. Various insurance entities within AXA Group use this platform, which provides two services. First and foremost, AXA Bank Belgium acts as an intermediary for derivatives such as interest rate swaps, used by the insurance entities to cover the market risk of their life insurance policies. Worth noting is that the size of this activity will decrease significantly in 2019 because of the sale by AXA Group of its subsidiary AXA Life Europe. Secondly, AXA Bank Belgium provides the insurance entity in Belgium with liquidity via standardised money market transactions (reverse repos).

4.2.1.2.1 Risk Policy, Limit Framework and Reporting

Strategies and Processes

It is AXA Bank Belgium's strategy to optimise the risk/return relationship in its non-retail activities, as well as making sure it fits within AXA Group's risk appetite. We explain how this translates into the 2 axes of the non-retail credit risk: investment portfolio and derivatives/repo activities.

The investment portfolio of AXA Bank Belgium serves as a buffer for liquid assets as well as a way to capture stable revenues. To make sure this remains within AXA Bank Belgium's risk appetite, risk management monitors its investment portfolio in terms of:

1. Adequacy of securities for calculation of the liquidity coverage ratio (see chapter 4.5 *Liquidity Risk*), where AXA Bank Belgium limits itself almost exclusively to assets of the highest liquidity class as defined by Basel III.

2. Adequacy of securities for calculation of the solvency ratio, where AXA Bank Belgium limits itself almost exclusively to assets of 0% risk weight as defined by Basel III.

3. Adherence to Group limit and AXA Bank Belgium's own concentration limits.

As for the derivatives and repo activities, it is AXA Bank Belgium's strategy to minimise credit risk by collateralising as much as possible to reduce the loss given default, which is the potential negative market evolution of positions in case of a counterparty default. At the same time, only well rated counterparties are used to reduce the probability of default. The increasing use of a central counterparty fits in this strategy as well. Counterparties need to be approved by AXA Group as well.

Non-retail Credit Risk Framework

In 2017 the Wholesale credit risk framework and the Wholesale credit risk charter were fully reviewed and approved.

The basis is the Risk Appetite Statement (RAS) set by the Board of Directors. Further concentration limits and minimum quality requirements are set by the Management Board. A regular follow up and management is done by the Wholesale Risk Committee.

This framework is described in detail in the Risk Disclosure Report.

Reporting and Measurement Systems

AXA Bank Belgium maintains two complementary reporting and measurement systems: regulatory and internal management.

Regulatory Measurement and Reporting

AXA Bank Belgium measures its minimum regulatory requirements for non-retail credit risk in the Standardised Approach (SA) on a quarterly basis. AXA Bank Belgium is also subject to the large exposure limit framework described in part IV of the CRD/CRR regulation. On a quarterly basis, a large exposure report is submitted to AXA Bank Belgium's regulator.

Internal Measurement and Reporting

Besides the regulatory measures, AXA Bank Belgium measures its counterparty credit risk exposures with a method developed by AXA Group. In particular for derivatives and repos, this method represents a different view on the exposure as it is based on measuring the sensitivity of all positions per counterparty to market shocks rather than the simple use of add-on per position as done in the current regulatory stream. The exposure under this method is measured twice per day across all instrument classes and is reported to the Wholesale Risk Committee monthly and to the Board of Directors on a quarterly basis. It also forms the basis of the counterparty credit limit framework for derivatives and repo counterparties.

Besides being followed locally, credit and concentration risks are also supervised at the AXA Group level. AXA Bank Belgium reports monthly all its positions to the Central Risk Management Department of AXA Group to ensure compliance with this second set of limits.

4.2.1.2.2 Policies for Hedging and Risk Mitigation

AXA Bank Belgium applies a two-step approach to achieve maximum mitigation of counterparty credit risk: firstly implementing the legal framework to net opposite exposures, secondly collateralising the remaining net exposure.

Offsetting

In the contractual documentation with all its counterparties, AXA Bank Belgium has ensured it is allowed to reduce positions with positive market value by deducting those with negative value and only exchange the net amount. This goes beyond the scope of 'accounting offsetting' under IAS 32 – *Financial Instruments - Presentation*, which requires more conditions to be met and which can only apply on the derivative transactions with the largest client from AXA Group and the central counterparty. However, the offsetting AXA Bank Belgium applies, is recognised from a regulatory perspective and we consider it to be sufficient as a risk mitigant on all counterparties.

Collateral

Policies and Processes for Collateral Valuation and Management

To further mitigate the counterparty credit risk exposure on the derivatives and repo activity, AXA Bank Belgium has foreseen in the exchange of collateral in the contracts with its counterparties. It is AXA Bank Belgium's policy (respecting also AXA Group's policy) to implement collateral agreements with the following properties:

- cash collateral (EUR, GBP, USD, JPY, CHF) or high investment grade rated government paper (with application of haircuts). This ensures AXA Bank Belgium's ability to quickly realise the collateral with a minimum of loss upon counterparty's default.
- daily measurement of exposure and exchange of collateral.
- no threshold and a minimum transfer amount of maximum 1 million EUR.
- re-use of collateral is allowed, which greatly reduces the burden on AXA Bank Belgium's liquidity.

AXA Bank Belgium does have a single case which divert from the above principles: one collateral agreement has a daily exposure monitoring but only weekly exchange of collateral as long as the exposure remains below a certain level.

AXA Bank Belgium's back office manages the collateral valuation and margin call process using the integrated front-to-back IT application. It issues margin calls, reviews margin calls received by counterparties and involves middle office and risk management in case of more complex valuation discussions. Front, middle and back office meet with risk management on a biweekly basis to discuss any issues around the collateralisation process and decide on an action plan. The Wholesale Risk Committee is informed monthly on the most significant points.

Main Types of Collateral

AXA Bank Belgium receives mostly cash collateral under derivative contracts, avoiding any concentration issues on that side. For repo/reverse repo transactions the bond leg of the transactions is restricted to high quality government bonds in EUR. This strict policy in terms of eligible collateral may result in some concentration risk but AXA Bank Belgium believes this is acceptable given the quality of the issuers. We also note that all collateral is 'eligible financial collateral' as defined by the Basel Committee.

4.2.1.3 Policies establishing Credit Reserves

Since end of 2017, the Impairment Committee has been integrated in the Wholesale Risk Committee (WRC). With the replacement of the current 'incurred loss' model under IAS 39 by IFRS 9 as from 1st January 2018, the amount of expected credit loss calculated on the non-retail portfolio is presented to the WRC. This committee is responsible for the model of expected credit losses of the non-retail portfolio including the management overlay. This committee discusses model design documents and model validation documents and takes model decisions (including staging logic). More information related to IFRS 9 can be found in chapter 3.3 *IFRS 9*.

4.2.2 *Credit Risk Exposure*

4.2.2.1 Retail Credit Risk

For the majority of Belgian credit loans credit risk measurement is done by means of Internal Rating Based (IRB) models. A residual proportion of loans are measured by the Standardised Approach.

Portfolio

The Belgian loan portfolio consists mainly of mortgages, consumer loans and professional loans, with mortgage loans representing the most important share.

Given the good collateral coverage and the low probability of this loan portfolio, the risk profile of the total credit portfolio is low.

The mortgage portfolio has once more risen strongly in 2018 thanks to the high new production of mortgages which was of good quality. After the years 2015 and 2016 with a high volume of refinancing, 2017 was characterised by a more moderate level of refinancing and in 2018 this moderate level is maintained.

For the consumer loan portfolio, we noticed a slight decrease in 2018. The production was not sufficient to compensate for the natural erosion of the portfolio. This trend started in 2017.

As from 2016, the professional loans portfolio of AXA Bank Belgium is increasing. Also, in 2017 and 2018 the portfolio increased significantly. This is in line with AXA Bank Belgium's strategic initiatives to intensify the relationship in the professional segment.

Portfolio Quality

In 2013 it was decided to implement a more selective acceptance policy and even today the consequences of that decision are still visible. In 2018 the new production was again characterized by a high quality and the entire credit portfolio showed an improved credit quality in 2018.

See chapter 2.2.5 *Impairment* for the definitions of Stage 1, Stage 2 and Stage 3.

The credit losses amounted to a total of 7 million EUR in 2018, compared to 0.4 million EUR in 2017. Whereas 2016 and 2017 were years with a relatively low level of credit losses, the credit loss in 2018 increased to a higher level. The credit loss in 2018 is still relatively low for the following reasons:

- Since the credit restrictions in 2013 the quality of the credit portfolio improved significantly. Furthermore, the Belgian macro-economic environment, where AXA Bank Belgium is operating, showed a positive evolution also contributing to a low level of credit losses.

- The sale of already written off credits keeps playing an additional source of income. There is an appropriate appetite within the Belgian market for this type of debts resulting in higher than expected prices.

Stage 1

An overall decrease of the observed default rates[3] (over a one year horizon) in the Belgian portfolio was observed which evidences the quality reinforcement and improved product mix of credits in Belgium.

The 12M default rate for mortgage loans slightly decreased from 0.45% in December 2017 to 0.43% observed in December 2018. The vintage curves (default rates within the first 12/24 months after realisation on the new production) are stabilizing and therefore it is expected that this stable trend continues when economic conditions remain unchanged.

The 12M default rate for loans to professionals and small businesses remained stable from 1.5% observed in December 2017 to 1.5% in December 2018. This stable trend shows that the growth in professional loans is done in a sustainable way where special care is taken for maintaining the quality of the total credit portfolio.

Also, for consumer loans a decrease in the 12M default rate is observed (from 1.1% in December 2017 to 1.0% in December 2018) thanks to a better risk selection and an evolution of the product mix to loans with a particular purpose.

Stage 2

AXA Bank Belgium considers the following conditions, both quantitative as qualitative, to attribute to a significant increase in credit risk and therefore the loans are categorised as Stage 2:

- Qualitative triggers:
  - Days past due greater or equal to 30
  - Negative listed in CKP[4] database
  - Forbearance measures on credit
  - Current PD rating in bucket 9
- Quantitative triggers:
  - Current PIT[5] PD is above a factor 3 times PD at origination and absolute difference is above 67 BPS
  - Difference in current PIT PD to PD at origination is greater or equal than 2%

If one of the qualitative or quantitative triggers conditions is met, the loan will be classified as Stage 2.

Stage 3

AXA Bank Belgium's definition of default on the retail loan portfolio is fully in line with the European Regulation (EU) No 575/2013 and other regulation of the European Banking Authority. AXA Bank Belgium has chosen to implement a very strict definition of default, which has been reflected in an increase of the amount of ‘unlikely to pay’ loans and the relevant provision amounts, without the quality of the underlying portfolio being changed.

AXA Bank Belgium considers a client/facility to be in default if one or more of the following conditions is fulfilled:

- The client/loan is ‘unlikely to pay’
- The client/loan has ‘> 90 days past due’ but is not in ‘pre-litigation’
- The client/loan is in ‘pre-litigation’ (PCX = ‘précontentieux’)
- The client/loan is in ‘litigation’ (CX = ‘contentieux’)

In case a client/facility is categorised under one of the first two categories in the above list, but is not doubtful, it is also referred to as ‘possible loss’.

When a client/facility becomes defaulted, it is considered to be impaired and thus a specific (collectively or individually assessed) provision must be accounted for. At that moment an evaluation should always be made if this default has an impact on the estimated future cash flows of the financial asset, and if accordingly, an impairment loss should be recognised.

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[3] *'one-year default rate'* means the ratio between the number of defaults occurred during a period that starts from one year prior to a date T (observation date) and the number of obligors assigned to this grade or pool one year prior to that date (sample date).

[4] Database at the National Bank of Belgium listing all credits a natural person has across all financial institutions and companies that grant credit facilities.

[5] Point-in-time

Furthermore, the default status is fully aligned with the 'non-performing' and 'impaired' statuses.

Split by Internal Rating

Quality of the portfolio ('000 EUR)	Stage 1: 12-month expected credit losses	Stage 2: lifetime expected credit losses	Stage 3: credit-impaired financial assets (lifetime expected credit losses)
Internal rating 1 to 4	1.705,27	192,34	0,00
Internal rating 5 to 6	1.431,74	745,90	0,00
Internal rating 7 to 9	2.478,11	11.629,17	0,00
Internal rating 10	0,00	0,00	59.755,38

Coverage of Credit Impaired Financial Assets

Collateral	000 EUR / %
Credit-impaired financial assets	318.606
Up to 50% covered by collateral	17%
From 50 to 100% covered by collateral	83%

4.2.2.2 Non-retail Credit Risk

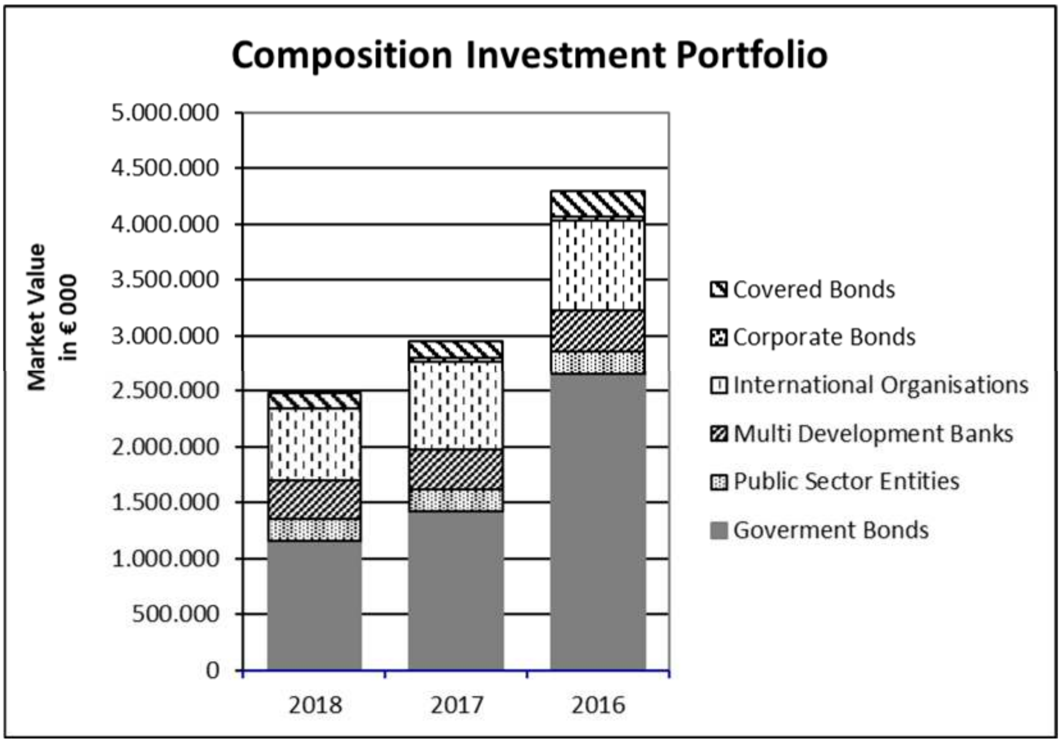
For regulatory purposes, AXA Bank Belgium applies the Standardised approach for non-retail credit risk exposures. On top of this AXA Bank Belgium applies internally a specific exposure measurement designed by AXA Group. Unless specified otherwise, exposures refer to those computed in accordance with the latter.

4.2.2.2.1 Investment Portfolio

The market value of the investment portfolio dropped further, from 2.9 billion EUR at the end of 2017 to 2.5 billion EUR in December 2018 mainly due to maturing of government bonds.

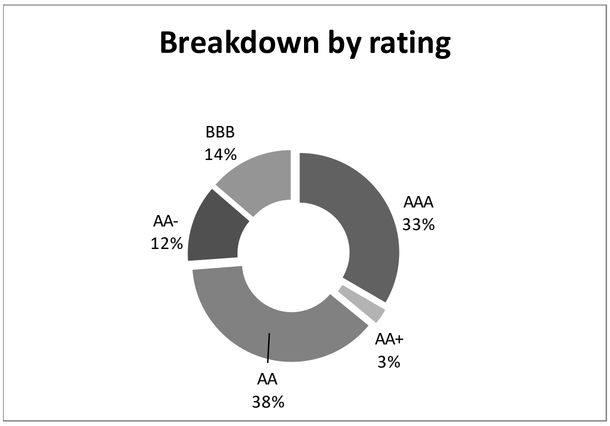
This further decrease of the portfolio was performed to improve AXA Bank Belgium's leverage ratio.

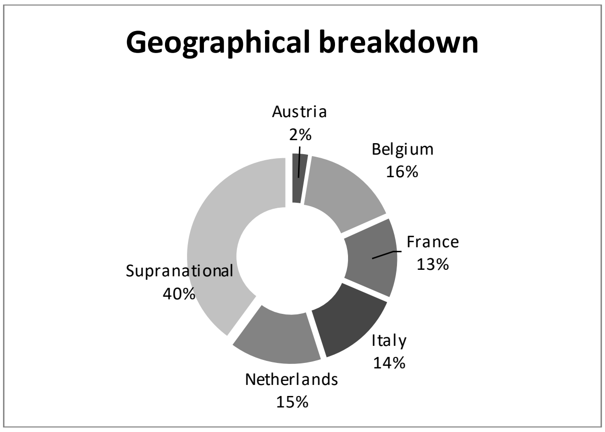
The investment portfolio of AXA Bank Belgium mainly consists of high quality government bonds (54%) and supra-national bonds (40%). The next graph illustrates the exposures in AXA Bank Belgium's investment portfolio.



Moreover, the credit ratings and market price changes of of AXA Bank Belgium's positions are being carefully monitored to examine the vulnerability of the credit portfolio to a number of adverse developments. There is no single position with a rating below investment grade.

Geographically, the investment portfolio credit risk is limited to countries that are members of the European Union.





Breakdown of the Investment Portfolio (December 2018)

AXA Bank Belgium's exposure on PIIGS is now limited to government bonds of Italy. AXA Bank Belgium intensified further the monitoring of these positions since the outburst of the Italian economic crisis. The table below shows the book value (in '000') of the exposure to PIIGS countries on 31 December 2018.

Country	Instrument type	Book Value		
		31/12/2018	31/12/2017	% Change
Italy	Sovereign bonds	339.170	329.034	3,08%
Spain	Sovereign bonds	0	150.616	-100,00%

4.2.2.2.2 Counterparty Credit Risk of the Dealing Room Activity

AXA Bank Belgium offers a centralised platform for the entities of AXA Group to access financial markets. Several insurance entities within AXA Group use this platform, which offers two services.

First, AXA Bank Belgium is an intermediary for pure derivatives such as interest rate swaps that the AXA Group's insurance entities use to hedge market risk on their life insurance. To measure the counterparty credit risk of these derivatives, we consider the possible future evolution of the derivative value in case of counterparty default. To achieve this, the derivatives are valued after applying market shocks. The losses that are caused by these market shocks should stay under the allowed limit for the counterparty.

Secondly, AXA Bank Belgium provides liquidity to AXA Belgium (insurance company) via standardised money market transactions ('reverse repos') in which AXA Bank Belgium buys high-quality government bonds and commits to sells these bonds again at a specific future date and price. The volume of this activity amounted to 960 million EUR end 2018, with maturities up to maximum 1 year. The value of the bonds should be 10% above the cash value for these transactions. This protects AXA Bank Belgium from a loss due to negative price evolution of the bonds in case of a counterparty default.

Exposure of AXA Bank Belgium to derivatives and money market transactions, including the transactions within the AXA Group, which are described in the previous paragraph, is limited via a very strict policy regarding collateral requirements. Exposures to such transactions are subject to a daily credit risk monitoring and collateralized on a daily basis with both market counterparties and AXA Group counterparties (exceptions to this policy are mentioned in chapter 4.2.1.2.2 *Guarantees Exchanged* are limited to cash and high quality securities in order to ensure adequate limitation of credit exposures.

Use of External Credit Assessment Institutions (ECAIs)

In terms of use of the ECAIs, AXA Bank Belgium follows the standard association published by the European Banking Authority.

The counterparties for the dealing room activity of treasury and derivatives are selected based on external ratings of three rating agencies (Fitch, Moody's and Standard & Poor's) which results in an internal AXA-rating. To qualify as an active partner, counterparties should have an AXA-rating of at least A--.

There are also 'passive' counterparties which have a rating of at least BBB+. With these counterparties, there are still open positions from the past, but no new trades are allowed unless new trades actively reduce exposure. These counterparties are monitored closely.

For all derivatives, it is mandatory to enter into an 'ISDA Master Agreement' and a 'Collateral Service Agreement' (CSA). These CSAs should be compliant with the EMIR regulation. New trades are not allowed with counterparties with whom no EMIR compliant CSA was signed. For repo transactions, it is mandatory to enter into a 'Global Master Repurchase Agreement'. Each new counterparty should be presented to and approved by the Wholesale Risk Committee.

Exposure at Default

In this section, we give an overview of our exposure at default of a counterparty related to the dealing room activity for both derivatives and (reverse) repos. The regulatory definition is used, that considers the nature of the instruments and simulates the exposure amount in case of counterparty default. This exposure is used to calculate the risk weighted assets and the capital requirements.

(i) Repo & Reverse Repo

On 31 December 2018 AXA Bank Belgium traded with a single counterparty for its (reverse) repo activity: AXA Belgium. There is no exposure at default as AXA Bank Belgium receives sufficient collateral to cover the exposure on AXA Belgium.

(ii) Derivatives

The regulatory method to determine exposure at default for derivative counterparties includes the following steps:

a) Transactions are grouped in 'netting sets', in which it is legally possible to net positive and negative market values, collateral received and collateral given. The outcome of this calculation is the net replacement cost, capped at zero in case of a negative sum
b) For each transaction a risk factor is determined, which reflects the possible negative evolution of the transaction value in case of counterparty default;
c) (a) and (b) are added. The outcome of this calculation gives the exposure at default per counterparty.

Furthermore, we split the exposure between exposure on bilateral counterparties and exposure on central clearing platform (CCP) for interest rate swaps which we access via two clearing brokers, i.e. HSBC and Credit Suisse International, given the difference in the nature of exposure.

The aggregated results as at 31 December 2018 are displayed step by step below.

a) The sum of all positive market values amounts to 4,201 million EUR. These positive market values amounts are neutralised by negative market values (4,574 million EUR of negative market values). AXA Bank Belgium emphasises here that this neutralisation goes beyond purely accounting netting off balance sheet items that is discussed in chapter 33 *Offsetting* based on legally enforceable netting rights. Chapter 34 *Contingent Assets and Liabilities* elaborates on the nature of the collateral. In total, AXA Bank Belgium pledged 1,564 million EUR collateral and received 1,111 million EUR collateral. This leads to a net replacement cost of 168 million EUR.
b) The sum of the risk factors amounts to 350 million. To clarify: this is the regulatory prescribed calculation of a negative evolution of the derivatives portfolio at the simultaneous default by all counterparties in stressed market conditions.
c) We arrive at a total exposure at default of 518 million EUR in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to 168 million EUR. It is important to note that 152 million EUR in these figures stems from the high collateral requirements of the central counterparty LCH Clearnet.

As AXA Bank Belgium has very high standards regarding the quality of its counterparties, none of the (reverse) repos and derivatives is past due or impaired.

Concentration Risk

AXA Bank Belgium follows the regulatory requirements regarding the limitation of large exposures, where exposure to a group of affiliated counterparties may not exceed 25% of the eligible capital. Due to the diversification of counterparties, the exposure to AXA Group is the only exposure that exceeds 10% of the eligible capital.

As of end of December 2018, this exposure represents 20,3%. This exposure is actively monitored, and some mitigation actions are on-going to reach a lower level of concentration risk on AXA Group.

4.2.3 *Sensitivity analysis*

Forward-looking Information

For the retail portfolio the economic scenarios used include the following ranges of key indicators:

- Unemployment rate
- GDP growth rate
- Evolution of retail estate prices

Results of the Analysis

Set out below are the changes to the ECL as at 31 December 2018 that would result from reasonably possible changes in these parameters from the actual assumptions. The analysis concerns ABB's Retail portfolio only.

Retail portfolio (in '000 EUR)		**Unemployment**		
		[-1%]	No change	[+1%]
House price index	[-3%]	7.917	7.917	7.917
	No change	0		0
	[+3%]	-7.618	-7.618	-7.618

Retail portfolio (in '000 EUR)		**Unemployment**		
		[-1%]	No change	[+1%]
GDP growth rate	[-1%]	280	745	1.193
	No change	-461		443
	[+1%]	-1.194	-738	-299

4.3 Market Risk

For market risk, AXA Bank Belgium differentiates between the market risk that is related to the ‘trading book’ (accounting classification), and interest rate risk related to the ‘banking book’. The trading book includes all financial instruments that are used in the context of specific trading activities. AXA Bank Belgium does not carry out any trading activities for its own account. The financial instruments falling under the ‘trading book’ accounting classification, mainly concern the derivatives activity for AXA entities. The banking book includes all other financial instruments that do not belong to the trading book. These mainly concern the bank's retail business.

4.3.1 *Interest Rate Risk Banking Book*

Interest rate risk in the banking book is defined as the risk of a decrease in economic value or net interest income of the banking book because of changes in interest rates and spreads.

Interest rate risk at AXA Bank Belgium arises mainly from the following products/activities:

- As a primarily retail bank, AXA Bank Belgium attracts retail deposits (mainly saving and sight accounts) and grants retail loans (mainly mortgage loans); the former typically with shorter maturities than the latter. The mismatch in maturities of those products gives rise to interest rate risk; more specifically yield curve risk.

- The bulk of AXA Bank Belgium retail deposits are non-maturing with rates, although discretionary by nature, linked indirectly to market rates because of a strongly competitive banking environment. Furthermore, saving accounts in Belgium benefit from a legal floored rate of 11 bps. These features are captured in dedicated models which are incorporated in AXA Bank Belgium’s overall yield curve risk management but which, in turn, give rise to model risk.

- Belgian mortgage loans, which constitute the bulk of AXA Bank Belgium’s retail loans, all feature a legal rather inexpensive for the customer prepayment option. Over the last few years, this feature translated into important prepayment waves. This prepayment risk is also captured in dedicated models which are incorporated in AXA Bank Belgium’s overall interest rate risk management.

- Another specificity of the Belgian mortgage loans market is the variable rate mortgage loans which are legally capped and indexed on OLO rates. Those features do create both basis risk and option risk.

4.3.1.1 Interest Rate Risk Management

4.3.1.1.1 Risk Policy, Limits Framework and Reporting

Risk Framework

Interest rate risk in the banking book is extensively covered in AXA Bank Belgium’s risk appetite framework:

- AXA Bank Belgium’s most strategic risk appetite statements on solvency, earnings and value defined the buffer to be held above regulatory requirements in function of, amongst others, the sensitivity of AXA Bank Belgium’s net interest income.

- Dedicated functional risk appetite statements set limits both on the economic value and the net interest income sensitivity of AXA Bank Belgium’s banking book.

On top of those limits, Treasury activities included in AXA Bank Belgium’s banking book are also subject to sensitivities and VAR limits monitored daily.

Risk Reporting

AXA Bank Belgium's main reporting on interest rate risk in the banking book is the monthly ALCO report. This report includes the following risk indicators:

- Sensitivity of the economic value of the banking book to various rate scenarios: parallel shifts from -200bps to +300bps, steepening and flattening scenarios.
- Sensitivity of the net interest income of the banking book to various rate scenarios: parallel shifts from -200bps to +300bps, steepening and flattening scenarios.
- Repricing gaps
- Regulatory economic and net interest income sensitivity indicators.
- 99.9% Monte-Carlo Value at Risk (VAR) analysis
- Dedicated indicators for cap risk, model risk, OLO basis risk and Euribor basis risk.

This set of indicators provides the ALCO with a comprehensive view of all sub-components of IRRBB. They are produced by a dedicated IRRBB management tool (QRM) managed in coordination between Finance, ALM and Risk Management departments.

4.3.1.1.2 Policies for Hedging and Risk Mitigation Techniques

AXA Bank Belgium applies the following hedging policies to mitigate the interest rate risk in its banking book:

- To keep the interest rate sensitivities within the regulatory and internal limits, the bank is actively managing a portfolio of derivatives within its banking book activities. Monthly production of retail assets and liabilities (including pipeline) is hedged systematically to keep AXA Bank Belgium's exposure levels within the desired range.
- Cap risk embedded in variable rate mortgage loans is hedged via an active purchasing policy of market caps.
- OLO basis risk embedded in variable rate mortgage loans is hedged via the maintenance of an OLO portfolio: declining OLO spreads generating lower revenues on mortgage loans are then compensated by capital gains on OLOs.
- Prepayment risk is managed via a dedicated model including natural and rate-driven prepayments and a permanent adjustment of AXA Bank Belgium's overall interest rate risk position to the desired level (delta hedging).

4.3.1.1.3 Exposure to Interest Rate Risk in the Banking Book

The banking book of AXA Bank Belgium including its branches mainly consists of retail loans and investments on the asset side, retail savings and deposits and non-retail long term funding including covered bonds and EMTNs on the liability side.

The largest share of retail loans are Belgian mortgage loans, from which 71% have a fixed interest rate and 29% floating interest rate. The interests of the variable rate mortgages are linked to the evolution of the OLO[6] rates. The Belgian law imposes a cap on the variable interest rates of these loans but, given the historical low OLO rates, the embedded value for the client of this cap and the corresponding risk for the Bank are currently small.

The following table lists the values for 2 internal indicators: the Bank SI ('Solvency Indicator') and the Bank NII ('Net Interest Income').

The absolute Bank SI gives the impact of a parallel 1% rise in market interest rates on the economic value of the banking book. The relative Bank SI expresses this impact as a percentage of the regulatory capital.

The Bank NII gives the impact of a parallel 10 basis points upward and downward shift in market interest rates on the interest result of the banking book.

Interest Rate Risk Indicators (kEUR)	31/12/2018	31/12/2017
Bank SI (absolute)	-30.687	-33.138
Bank SI (relative)	-3,1%	-3,5%
Bank NII (+ 10 bps)	1.381	1.316
Bank NII (- 10 bps)	-6.210	-5.635

[6] OLO stands for 'Obligation Linéaire/Lineaire Obligatie' which is the abbreviation of Belgian Government Bonds

4.3.2 *Market Risk Trading Book*

The market risk in AXA Bank Belgium's trading book is the risk of loss arising from adverse movements in interest rates, market prices or exchange rate fluctuations of the trading book.

4.3.2.1 Market Risk Management

4.3.2.1.1 Risk Policy, Limits Framework and Reporting

AXA Bank Belgium maintains a very conservative approach to market risk of its trading book. The trading activities of AXA Bank Belgium derive mainly from its role as centralised platform for access to the derivatives markets for the insurance entities of AXA Group. The market risk is strongly limited because all positions that are taken with entities of AXA Group are mirrored by positions with external counterparties on an almost back-to-back basis.

Market risk exposures are the object of a continuous follow-up. These exposures are compared to an overall economic capital limit covering all of AXA Bank Belgium's market risks. This risk appetite limit is completed by different VaR and sensitivity limits. Alert triggering and escalation processes are also used by AXA Bank Belgium's Risk Management department to ensure that AXA Bank Belgium remains within its conservative risk appetite for market risk.

To meet the Basel III minimum regulatory capital requirements, AXA Bank Belgium uses the Standardised Approach defined in Title IV of the CRD/CRR regulation to measure, monitor, report and manage its market risks. This approach measures the following components of market risks:

- General interest rate risk
- Specific interest rate risk
- Foreign exchange risk

The standardised approach for foreign exchange risk applies to all bank positions meaning positions from both AXA Bank Belgium's trading and banking books.

4.3.2.1.2 Policies for Hedging and Risk Mitigation Techniques

The trading book is subject to materiality thresholds that have been introduced by the National Bank of Belgium (NBB) in 2015 in the framework of the new Belgian banks legislation. The 'Non Risk-Based Ratio' for AXA Bank Belgium, which is based purely on volume, is well below the threshold defined by the NBB. The 'Risk-Based Ratio', which reflects the underlying risks, is also remarkably lower for AXA Bank Belgium than the regulatory threshold. This can be explained by the limited market risk strategy for its trading book resulting in low Market Risk Weighted Assets.

Furthermore, AXA Bank Belgium's risk limit framework ensures that the VaR with a 99% confidence level and a holding period of 1 day does not exceed 0.25% of T1 capital as requested as well by the Belgian banking law.

4.3.2.1.3 Exposures to Market Risk for the Trading Book

AXA Bank Belgium's market risk consists mainly of interest rate risk. In addition, the equity risk arising from the emission of Euro Medium Term Notes (EMTN) is low, since AXA Bank Belgium hedges this exposure in the financial markets. Furthermore, AXA Bank Belgium is not involved in any trading activities related to commodities.

The activities mentioned in the previous paragraph are closely monitored by the Risk Management department from AXA Bank Belgium within a very strict limit framework. The VaR for all activities related to the trading book is limited to 2.2 million EUR. The VaR with a confidence level of 99.5% and a time horizon of 10 days is calculated daily using 5000 Monte Carlo simulations. The VaR for all trading book activities at the end of 2018 is equal to 0.78 million EUR and therefore well below the predefined limit. Finally, this model is subject to the appropriate yearly back testing and validation by an external auditor to preserve the accuracy and relevance of the model.

4.4 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in exchange rates. AXA Bank Belgium operates a policy to minimise exposure to currency risk. Any material residual positions are hedged systematically. This risk was followed up and hedged monthly in ALCO in 2018. In addition, there is a capital charge for this risk when the total net position represents more than 2% of the equity.

4.5 Liquidity Risk

The 'Basel Committee on Banking Supervision' (BCBS) defines the liquidity risk as the risk of not being able to quickly and easily increase the cash position to absorb shocks as a result of financial and economic stress.

AXA Bank Belgium's Risk Taxonomy considers the following two aspects of liquidity risk which all fall within the scope of liquidity risk management:

- Short Term Liquidity Risk defined as the risk that AXA Bank Belgium cannot meet its financial liabilities when they come due (within a month), at a reasonable cost and in a timely manner. It results from short term cash and collateral positions (intra-day, overnight, one day to one month)

- Structural Liquidity Risk defined as the risk that AXA Bank Belgium cannot meet its financial liabilities when they come due on a medium and long term horizon (more than one month), at a reasonable cost and in a timely manner.

4.5.1 *Liquidity Risk Management*

4.5.1.1 Risk Policy, Limit Framework and Reporting

In recent years, liquidity management was one of the key priorities of AXA Bank Belgium. It has resulted in a suitable framework for liquidity risk which is based on both regulatory and internal indicators.

To evaluate and manage its consolidated liquidity risk, AXA Bank Belgium's ALCO monitors 2 kinds of indicators:

1. Internal indicators : Internal Liquidity Stress indicator
2. Regulatory indicators : LCR and NSFR

All these indicators are underpinned by a common approach: guarantee that AXA Bank Belgium's liquidity buffer is sufficient to cope with a range of stress events. More specifically, AXA Bank Belgium's own Internal Liquidity Indicator has been designed to ensure that AXA Bank Belgium maintains an adequate liquidity cushion to be able to withstand combined idiosyncratic and market stresses over a one year horizon.

Internal Liquidity Stresses (ILS)

AXA Bank Belgium has developed two tailor-made stress scenarios to assess the adequacy of AXA Bank Belgium's liquidity buffer. The stress scenarios are developed in collaboration with AXA Group risk management. The internal scenarios are more restrictive than the LCR scenarios, which results in a higher amount of net outflows.

The ILS scenarios cover multiple time horizons (overnight, 1 week, 1 month, 3 month, 6 month and 1 year) and the indicators are expressed in term of liquidity excess in euro after the scenario. The stock of liquid assets under the ILS indicators only retains ECB eligible assets. The liquidity excess is the difference between the stock of liquid assets minus the stressed in- and outflows under both scenarios. Scenario 1 assumes a parallel downshift of interest rates while scenario 2 assumes an upward shift of the interest rates. Both scenarios imply a credit spread increase for the Bank and a downgrade of the Bank's rating.

The Excess Liquidity indicator is defined as the worst liquidity position, over all time horizons and stress scenarios.

in '000 EUR	31/12/2018	Limit	Buffer
Internal Liquidity Stress Indicator	2.757.916	500.000	2.257.916

Regulatory Indicators

AXA Bank Belgium monitors the LCR and NSFR of the Basel III framework.
LCR (Liquidity Coverage Ratio) became binding in October 2015 while NSFR (Net Stable Funding Ratio) will become binding with the introduction of CRD V.

4.5.1.2 Policies for Hedging and Risk Mitigation Techniques

The AXA Bank Belgium's liquidity contingency plan has been adapted and the Bank established a special task force which, during systemic or idiosyncratic liquidity crises, must immediately intervene and take appropriate action. This has led to a stronger awareness of liquidity risk at all management levels, as well as a more rigorous follow-up. Regular forward-looking projections of the main liquidity ratios support the active management of the liquidity risk within AXA Bank Belgium.

4.5.2 *Liquidity Buffer Assessment*

AXA Bank Belgium enjoys a very robust liquidity position as demonstrated by its strong liquidity buffer that clearly exceeds regulatory and internal limits.

Both Basel III indicators are well above the minimum requirements at the end of 2018 (100% limit) thanks to a comfortable stock of liquid assets and a solid financing structure.

Ratio	31/12/2018	31/12/2017	Limit
LCR	228%	175%	100%
NSFR	141%	139%	100%

AXA Bank Belgium has successfully adapted its strategy to meet these required indicators. This strategy includes the bank's investment policy that is limited to quite liquid assets and attracting long-term stable funding.

Funding

The main sources of stable funding for the bank are retail deposits (18.1 billion EUR on 31 December of 2018) and covered bonds (4.8 billion EUR on 31 December 2018). More detail can be found in the table below.

Maturity Analysis

2018 (in '000 EUR)	< 3 months	< 12 months	> 12 months	Total
Central Bank financing	-	-	600.000	600.000
Loans from financial customers	143.690	121	398	144.209
Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP)	143.690	121	398	144.209
Repurchase Agreements	-	-	-	-
Secured loans	-	-	-	-
Retail funding	16.588.133	340.491	1.144.386	18.073.010
Non maturing retail funding (savings and current accounts)	16.213.175	-	-	16.213.175
Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	374.958	340.491	1.144.386	1.859.835
AXA Group Financing	-	48.184	506.514	554.699
Unsecured financing	-	-	-	-
EMTN	-	48.184	506.514	554.699
Other counterparties	6.217	502.524	4.315.211	4.823.952
Unsecured funding from non-financial customers	6.217	-	130	6.347
Covered bonds	-	502.524	4.315.081	4.817.605
Total	**16.738.040**	**891.321**	**6.566.509**	**24.195.870**

In this table the fair value of derivatives is not included since we do not consider these derivatives as 'funding', given the fact that they are mostly part of AXA Bank's 'back-to-back' activities .

Covered Bonds

AXA Bank Belgium created AXA Bank Europe SCF for issuing covered bonds, whereby AXA Bank Europe SCF directly purchases mortgage loans from AXA Bank Belgium. The interest payments of the mortgage loans held by AXA Bank Europe SCF are transferred with yield-maintenance swaps between AXA Bank Belgium and AXA Bank Europe SCF. This will also allow executing a secured loan transaction between AXA Bank Belgium and AXA Bank Europe SCF with mortgages as underlying collateral to issue covered bonds with a shorter time to market.

The strong underlying quality of AXA Bank Belgium's retail mortgage portfolio in Belgium is the ideal collateral for a covered bond program. This program enables the bank to manage its liquidity risk. It provides AXA Bank Belgium with diversification in funding sources and minimises funding concentrations in time buckets. The covered bond program gives AXA Bank Belgium access to the covered bond market, allowing AXA Bank Belgium to reduce the cost of long-term institutional funding. This program offers the bank access to funding markets that remain open in times of market stress. The bank launched its first covered bond in November 2010. The covered bond program amounts to 5 billion EUR in 2018 of which 4.75 billion EUR remains on a consolidated level: 4.5 billion EUR are placed in the market, and 0.25 billion EUR of these covered bonds are subscribed by AXA Banque France. The 0.25 billion EUR retained by AXA Bank Belgium were eliminated in the consolidated balance sheet.

4.6 Operational Risk

AXA Bank Belgium defines operational risk, as the risk of loss resulting from inadequate or failed internal processes, or from employees or systems. The failure or inadequacy may result from both internal and external causes.

In the Basel framework, operational risk is divided into 7 categories:

i. Internal Fraud: fraudulent financial reporting, improper of fraudulent financial activity as well as misappropriation of assets and other internal frauds
ii. External Fraud: theft and fraud as well as information system fraud
iii. Employment Practices and Workplace Safety: employee relations, diversity and discrimination, safe environment, loss of key staff and talent management
iv. Clients, Products and Business Practices: suitability, disclosure and fiduciary, improper business or market practices, incl. advisory activities, breach of regulation and legislation, unauthorized activity, product flaws
v. Damage to Physical Assets: natural disasters, vandalism, terrorism, etc.
vi. Business Disruption and Systems Failures: system disruptions and breach of information security
vii. Execution, Delivery and Process Management: data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets, etc.

For AXA Bank Belgium, the definition of Operational Risk also includes Compliance Risk; which is defined as the risk of loss resulting from the failure of an institution to adopt appropriate policies, procedures or controls, to comply with its legal obligation arising from laws, regulations, or any other type of binding contracts.

For AXA Bank Belgium, the definition of Operational Risk excludes Reputation Risk and Strategic Risk. However, when assessing the impacts of operational risks, the potential damages to AXA's reputation[7] are considered by a qualitative indicator while major damages are followed by the Group.

[7] Using the framework of the Group: no impact, impact (not yet assessed), insignificant (minor isolated stakeholder concerns/impacts), minor (serious segmented stakeholder concerns/incidents), moderate (broader and more vocalized concerns within the industry), major (negative public exposure with significant impact), and severe (dramatic loss of stakeholder confidence – extensive negative public exposure).

4.6.1 *Operational Risk Management*

4.6.1.1 Risk Policy, Limit Framework and Reporting

For the regulatory capital AXA Bank Belgium applies the Basis Indicator approach (i.e. equals to 15% * of the mathematical average of the sum of all positive operational results over the last 3 annual exercises) and is only updated at the end of each year.

For its economic capital, AXA Bank Belgium has implemented an internal model that has been developed by AXA Group. This model is similar to AMA. The economic capital computation is then a yearly process based on risk assessments that identifies and quantifies the relevant and material operational risks faced by AXA Bank Belgium.

Just as in past years, there was a major focus in 2018 on detecting and combating fraud and cyber risks (hacking, phishing and cyber/virus-attacks), regulatory risks (related to MIFID, AML, GDPR, PSDII, …) and people risks (key man exposures, loss of staff, …). The cooperation with the other control lines (Audit, Compliance, Information Security) is well established in AXA Bank Belgium.

The team of Operational Risk works continuously on the 'risk awareness' within the entire organisation (by organising training courses for the different business lines, participating in major projects and product launches, by establishing a network of risk correspondents, etc.). In 2018, efforts continued for further optimisation of both the 'Loss Data Collection' process and the 'Operational Risk Cycle' process, with a specific focus on a structural framework for 'risk responses' (action plans, risk acceptance). The team of operational risk has also developed a risk appetite framework, in which the playing field for operational risk in AXA Bank Belgium's processes is defined and monitored.

4.6.1.2 Policies for Hedging and Risk Mitigation Techniques

Mitigating actions are defined for our most important operational risks. Different options are possible:

- Transfer the risk (e.g.: we have insurance contracts for fire incidents, cyber incidents, agent fraud).
- Action plans to strengthen the process at risk, and – to reduce the risk to a lower/acceptable level. These action plans are defined by the business, challenged and monitored (quarterly) by the Operational Risk team. The Operational Risk Committee is informed as well.

AXA Bank Belgium is monitoring its operation risk by means of an operational risk dashboard in which key risk indicators (KRI's) are measured on a quarterly basis. This dashboard is presented to the Management Board each quarter and is in line with the boundaries set in the risk appetite framework for operational risk.

The team of Internal Financial Control is in charge of performing 2nd line controls of the main risks in our processes. Note that in 2017, AXA Group has started the roll out of an IC program. AXA Bank Belgium has started the implementation of this program in March 2018. Goal is to identify for each process in the bank the major key and killer risks, and to define and implement the required control objectives and controls to mitigate these risks. By 2020, all core processes of AXA Bank Belgium should have been reviewed and controls should be structurally embedded herein.

4.7 Capital Management

4.7.1 *Management*

Under the EU Capital Requirements Regulation and Directive (CRR/CRD IV) as well as the Basel accords, AXA Bank Belgium must maintain a minimum level of own funds to cover its credit, market and operational risks. This obligation is known as the 'Pillar 1 Minimum Regulatory Capital Requirement'. Banks must also have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed to. This obligation is known as the 'Pillar 2 Economic Capital Requirement' and is assessed in the context of the supervisory review. The Internal Capital Adequacy Assessment Process also known as 'the ICAAP' (which also quantifies the economic capital requirement) participates to the Pillar 2 requirements.

Both for regulatory and economic capital, the 'available capital' of banks is compared to measured 'capital requirements'. The differences between the two pillars are due to their measurement methodologies[8] and the scope of the risks that are covered[9].

The capital risk is the risk that the bank has or may have insufficient capital to cover the risks to which the bank is exposed. In practice, this is translated into a cross-check of the capital base against the minimum regulatory capital requirements (Pillar 1) and the economic capital requirements (Pillar 2).

The capital base is carefully monitored by the 'Asset & Liability Committee' (ALCO). The committee is supported in this mission by a working group: the Capital Management Committee (CMC). The CMC oversees the new regulations ('regulatory watch'), follows up on the current and projected solvency ratios, anticipates and manages the economic and regulatory capital requirements.

The calculations for regulatory capital are reported to the supervisor (COREP) on a quarterly basis.

The bank reports the required economic capital to the supervisor in an annual ICAAP file. The ICAAP is the internal review process of the institution itself, which allows it to assess the adequacy of its capital in light of its risk profile and its organisation.

4.7.2 *Regulatory Environment*

The EU introduced stricter rules around capital requirements for banks in the aftermath of the financial crisis that are based on the Basel III accords. The requirements for banks are set out in the 'Capital Requirements Regulation' (CRR) and the 'Capital Requirements Directive' (CRD IV). The CRR/CRD IV was gradually introduced since 1 January 2014 and will be fully in force in 2019.

The minimum capital ratios (Pillar 1 requirements) which are to be met according to CRR/CRD IV are 4.5% for the core capital (CET1), 6.0% for the tier 1 capital ratio and 8.0% for the total capital ratio.

Besides the minimum own funds requirements of the CRR, AXA Bank Belgium should also comply with the various buffers that can be imposed in accordance with CRD IV.

The CRD IV provides for a capital conservation buffer. In times of an economic boom, this can be up to 2.5%. The premise is to reserve additional capital in times of financial prosperity. In times of financial stress, the institution will be able to use this capital. The condition is then that the institution may not pay out a dividend to shareholders. This buffer phases in and amounted 1.875% in 2018.

AXA Bank Belgium may also be obliged to build a counter-cyclical capital buffer representing an additional core Tier 1 capital requirement. This buffer's aim is to protect the bank against risks arising from the financial cycle and can be up to 2.5%, possibly higher. This requirement came into effect in 2016.

The Belgian regulator has appointed AXA Bank Belgium as O-SII or 'Other Systemically Important Institution' and therefore is subject to an additional core Tier 1 capital requirement (O-SII buffer) of 0.75%.

In addition to the Basel III capital requirements, AXA Bank Belgium must also comply with the Basel I floor. In other words, the capital that the bank must hold must always be greater than or equal to 80% of the total minimum amount of capital that the bank would be required to hold in accordance with the Basel I rules.

Following his 'Supervisory Review and Evaluation Process' review, (SREP), the competent supervisory authority (the European Central Bank for AXA Bank Belgium) may impose higher minimum ratios (= Pillar 2 requirements), because, for example, not all risks are properly reflected in the regulatory Pillar 1-calculations.

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[8] Under Pillar 1, the methods are defined by the regulator whilst the methods are defined by AXA Bank Belgium under Pillar 2.
[9] Only three risks are covered under Pillar 1, whilst all material risks must be covered under Pillar 2.

4.7.3 *Own Funds*

The own funds for solvency requirements are slightly different from the equity in accounting.

The accounting core capital will be adjusted with:

- prudential filters, which exclude certain items of own funds, such as changes in the value of own credit risk and additional value adjustments in the context of prudent valuation; and
- other deductions, such as intangible fixed assets, the deferred tax assets which are based on future profitability, deficits in terms of provision of 'Internal Rating Based approach' (IRB). When the IRB approach is applied to calculate the credit risk, banks are required to compare their actual provisions with their expected losses. Any shortfall should be deducted from Tier 1 while an excess will be eligible for inclusion in Tier 2 capital subject to a cap.

The reconciliation of the accounting equity based on IFRS with the own funds for solvency requirements can be seen in the table below.

COMPOSITION OF USEFUL CAPITAL (in '000 EUR)	31/12/2018	31/12/2017
Paid up capital	636.318	636.318
Reserves (including retained earnings)	369.512	384.780
Result of the current year	44.937	41.437
Other reserves	1.552	1.469
Accumulated other comprehensive income	2.716	9.188
ACCOUNTING COMMON EQUITY TIER 1 CAPITAL	**1.055.035**	**1.073.192**
Prudential filters	6.204	11.006
Value adjustment of own credit risk	*6.532*	*16.937*
Value adjustment of prudent valuation	*(328)*	*(5.931)*
Deductions of Common Equity Tier 1 capital	(48.768)	(60.343)
Regulatory adjustments accumulated other comprehensive income	0	*(9.559)*
Intangible assets	*(13.258)*	*(11.835)*
Deferred tax assets that rely on future profitability	*(10.354)*	*(17.952)*
Other deductions	*(3.736)*	*(2.965)*
IRB provison shortfall	*(21.420)*	*(18.032)*
USEFUL CAPITAL COMMON EQUITY TIER 1 (CET1)	**1.012.471**	**1.023.855**

The CET1 amounts to 1,012 million EUR in 2018 versus 1,024 million EUR in 2017.

AXA Bank Belgium is allowed to include the consolidated net profit for 2018 (44.9 million EUR) in the core Tier 1 capital. This result strengthens the equity of AXA Bank Belgium compensating the reduction of retained earnings of 50 million EUR realised during the year. The CET1 figures of December 2017 decreased also due to the correction of deferred tax assets, as required by the supervisor. The evolution of CET1 is further determined by the movements in accumulated other comprehensive income and the value adjustments. Phase-in for some other comprehensive income items, ended in 2018, meaning that they are considered for the full 100%.

The total own funds for solvency requirements include:

- CET1
- additional Tier 1 capital consisting of applicable convertible bonds;
- Tier 2 capital, consisting of the useful value of the subordinated loans, perpetual subordinated loans and including Basel III transitional measures

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS (in '000 EUR)	31/12/2018	31/12/2017
CET1	1.012.471	1.023.855
Additional Tier 1 capital	90.000	90.000
TIER 1	1.102.471	1.113.855
TIER 2	8.924	13.801
Subordinated debts	2.671	5.830
Perpetual subordinated debts	6.253	7.972
Perpetuals	*15.633*	*15.943*
Perpetuals phase out	*(9.380)*	*(7.972)*
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	**1.111.395**	**1.127.656**

The total own funds evolve from 1,128 million EUR in 2017 to 1,111 million EUR in 2018.

4.7.4 *Regulatory Capital Requirements*

The regulatory requirements are based on the concept of Risk Weighted Assets (RWA) Pillar 1 minimum regulatory capital requirements calculation methods are defined specifically in the regulation. The risk weighted assets are calculated according to the specific Basel calculation rules for weighted risks for which AXA Bank Belgium has received approval. In most cases the Standardised Approach (SA) is used by the bank. The Internal Rating Based Approach (IRB) is only applied for the Belgian retail activity. The requirement concerning the operational risk follows the BIA ('Basic Indicator Approach').

The RWA for AXA Bank Belgium under the Basel III rules amounted to 6,715 million EUR on December 2018.

RISK EXPOSURE AMOUNTS (in '000 EUR)	31/12/2018	31/12/2017
Risk weighted exposure amounts for credit risk	5.441.510	4.347.321
Risk exposure amount for market risk	171.601	177.835
Risk exposure amount for operational risk	658.504	675.882
Risk exposure amount for credit valuation adjustment	443.897	66.309
TOTAL RISK EXPOSURE AMOUNTS	**6.715.512**	**5.267.348**

The Belgian regulator has requested[10], for all Belgian banks using IRB models, an add-on of 5 % from all Belgian mortgage loans. This additional capital requirement, calculated as a 5% add-on on the IRB RWA for mortgages covering residential real estate in Belgium, is represented in the RWA for credit risk.

As from June 2018, the Belgian supervisor imposed Belgian banks to hold on top of the 5% add-on an extra macro-prudential buffer of 33% of the RWA of mortgage loans covered by residential real estate in Belgium, under the IRB approach.

AXA Bank Belgium adjusted its Loss Given Default (LGD) model for mortgage loans in 2018 by introducing a finer segmentation of its portfolios from risk management perspective. The RWA increased from 5,267 million EUR in 2017 to 6,716 million EUR in 2018 mainly driven by the risk weighted assets for credit risk.

4.7.5 *Capital Ratios*

The regulatory solvency ratios compare the own funds of AXA Bank Belgium to its risk weighted assets.

AXA Bank Belgium shows comfortable solvency ratios thanks to its prudent investment and credit underwriting strategy.

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[10] This law, published on 8/12/2013 and applicable as of 31/12/2013 results in an additional own fund requirement for AXA Bank Belgium's mortgage portfolio.

Capital Ratios	**31/12/2018**	**31/12/2017**
Transitional definition		
Common Equity Tier 1 ratio	15,08%	19,44%
Tier 1 ratio	16,42%	21,15%
Capital ratio	16,55%	21,41%
Fully phased-in definition		
Common Equity Tier 1 ratio	15,08%	19,62%
Tier 1 ratio	16,42%	21,33%
Capital ratio	16,46%	21,44%

Note: at the request of the supervisor, AXA Bank Belgium has adapted the deferred tax assets in December 2017. This has led to a decrease in the prudential capital, as well as by a reduction in risk-weighted assets. The comparative figures for 2017 were thereby adjusted for the above ‘Capital ratios’ table.

The Common Equity T1, T1 and total capital ratio shall consider the transitional provisions of Basel III.

All solvency ratios declined over the year. This is largely explained by the significant increase in risk weighted assets in 2018, mainly due to the new add-on for Retail credit risk under the IRB. As per 31 December 2018, AXA Bank Belgium’s Tier 1 ratio stands at 16.42% (21.15% in 2017) and total capital ratio at 16.55% (21.41% in 2017).

These same ratios fully loaded, i.e. calculated as if Basel III were already in full force, amounted to 16.42% and 16.46% respectively (21.33% and 21.44% in 2017).

AXA Bank Belgium meets all minimum capital requirements imposed by Basel III. The bank also complies with the stricter percentages on Tier 1 capital imposed by SREP.

4.7.6 *Leverage Ratio*

The leverage ratio is a supplementary measure to the Basel framework. It is defined as Tier 1 capital over the bank’s total exposure measure, which consists of both on and off-balance sheet items.

The aim is to constrain excessive leverage and to bring institutions' assets more in line with their capital. In connection with the contemplated implementation of the non-risk based leverage ratio, AXA Bank Belgium’s leverage exposure remained quite stable. As the T1 capital decreased, the bank's leverage ratio according to current CRR legislation (‘Delegated Act’) has decreased slightly in 2018 to 4.18% at the end of December 2018 (4.24% in 2017) or 4.18% (4.28% in 2017) when fully loaded.

Considering the low risky assets of AXA Bank, this level offers a comfortable buffer.

Leverage ratio	31/12/2018	31/12/2017
Transitional definition	4,18%	4,24%
Fully phased-in definition	4,18%	4,28%

5 Fair Value of Financial Assets and Liabilities

5.1 Fair Value - Retail Activities

For short-term assets and liabilities or at sight, AXA Bank Belgium uses the book value as the best approach.

The fair value of the retail products is calculated in different steps:

- first, future cash flows are calculated based on product features (client's interest rate, payment frequency, etc.);
- these cash flows are subsequently adjusted for retail credits to consider early repayments (2.5% on an annual basis for mortgage loans, 4% for investment credits, 10% on an annual basis for instalment loans);
- the calculation of the fair value, based on the Monte Carlo technique, includes the caps and floors embedded in floating mortgage loans. In this methodology, a group of interest rate scenarios are generated. The cash flows of the mortgage loans are simulated in each of these scenarios while considering the caps and floors. For example, the customer reset rate will depend on the simulated market rate, but shall not be higher than the contractually embedded cap linked to the mortgage loan. The fair value of the portfolio is determined by taking the average of the discounted cash flows in the Monte Carlo scenario.

Lastly, the (adjusted) cash flows are discounted based on the IRS curve. The IRS curve is adjusted by the spread of costs for each product to consider the management costs of the product concerned.

5.2 Fair Value - Financing Activities (Treasury)

The financial instruments are subdivided into 3 categories.

The first category consists of financial instruments for which a fair value level 1 is determined based on market prices in an active market.

Visibility of an active market is generally clear with market information available to the public and investors. There is no clear line or minimum activity threshold that represents 'transactions regularly taking place on the market', such that the level of actual transactions must be assessed while considering frequency and volume. However, low trading volume still represents a price if it is determined in a normal objective environment on an objective basis. The amounts of the transaction are important indicators of the fair value.

In the absence of an active market for a specific instrument or if market prices are not available or are not regularly available, valuation techniques will be used based on the present value of future cash flows and the price will be determined based on option models. These valuation techniques use market data such as yield curves, dividend yield, index levels and volatility. AXA Bank Belgium uses information from Bloomberg, Markit and/or Interactive Data or provided by a reliable intermediary. These prices are then subject to an internal validation or are valued using internal rating techniques.

The use of observable input parameters results in a fair value level 2, while the use of unobservable input parameters leads to a fair value level 3, unless their influence is not significant. Observable inputs are developed using market data such as publicly available information about actual events or transactions and reflect the assumptions market participants would use in setting the price of the instrument.

The significance of non-observable parameters is assessed (1) at the level of each individual financial instrument and (2) cumulatively.

1. the specific impact of non-observable parameters on the fair value of any financial instrument is assessed as soon as its mark-to-market exceeds [0.05%] of the total balance sheet. It is considered that it has more than an insignificant effect when it influences the change in fair value of a financial instrument by [30%] or more. In the case where AXA Bank Belgium could not measure the specific impact of the unobservable parameter on the fair value of the instrument with reasonable efforts, the instrument is automatically classified in level 3;
2. at cumulative level, it is verified that the overall mark-to-market of all financial instruments using non-observable parameters that are not classified under level 3 does not exceed [2%] of the total balance sheet;

AXA Bank Belgium uses a decision table to justify the level assigned to each class of instrument based on these criteria.

A dedicated committee ensures a regular revision, at least once a year, of this decision table to ensure its accuracy and comprehensiveness. The dedicated committee is, at least, composed of the managers of the accounting policies (including CTFM) and the middle-office representing the business.

If, at level of this dedicated committee, there were still to be a disagreement over the fair value , the point would be escalated to the CFO of AXA Bank Belgium for a decision on the level classification.

As from 2018, the fair value of the derivatives is calculated based on the 'exit' price, and thus taking the 'bid-ask spread' into account. Until tax year 2017, the valuation was done based on the 'mid' price, in which a correction for the 'bid-ask spread' was made in COREP. This had a 2.4 million EUR impact on the income statement (results on financial assets and liabilities held for trading).

The second category includes the following elements:

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 impairment. 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.

The third category includes:

Assets
Financial Assets Measured at Fair Value through OCI
Shares recognised for their acquisition value as the best estimate of the market value.

Financial Assets Held for Trading
Derivative transactions within the 'hub' activities of AXA Bank Belgium (access to the market for the main insurance entities of the AXA Group).

Liabilities
Financial Liabilities Held for Trading
Derivative transactions within the 'hub' activities of AXA Bank Belgium (access to the market for the main insurance entities of the AXA Group).

Financial Liabilities Designated at Fair Value through Profit or Loss
EMTNs issued – the fair value was determined based on the 'discounted cash flow' method, where volatilities on historical data were used as non-observable inputs. An increase (decrease) of 10% would lead to an increase (decrease) in fair value by 16.2 million EUR (2017: 18.6 million EUR).

Overview of Assets and Liabilities Measured at Fair Value

Assets / Liabilities 2018.12 in '000 EUR	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
Trading assets	773.776		760.888	12.888
Non-trading financial assets mandatorily at fair value through profit or loss				
Financial assets designated at fair value through profit or loss				
Financial assets at fair value through other comprehensive income	2.319.297	2.306.234	950	12.113
Assets derivatives - hedge accounting	17.584		17.584	
Financial liabilities held for trading	353.394		339.789	13.605
Financial liabilities designated at fair value through profit or loss	1.215.175		713.953	501.222
Liablitities derivatives - hedge accounting	68.500		68.500	

Table FVAL.1

(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.

Assets / Liabilities 2017.12 in '000 EUR	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
Trading assets	1.247.291	6	1.217.176	30.109
Financial assets designated at fair value through profit or loss				
Available-for-sale financial assets	2.952.270	2.944.563	978	6.730
Assets derivatives - hedge accounting	67.552		67.552	
Financial liabilities held for trading	824.596	99	813.099	11.398
Financial liabilities designated at fair value through profit or loss	1.348.872		802.499	546.373
Liablitities derivatives - hedge accounting	287.907		287.907	

Table FVAL.2

(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.

See also chapter 33 *Offsetting*.

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:				
31.12.2018	RW Level 3 OPENING BALANCE	W&V	other comprehensive income	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE
Financial assets at fair value through other comprehensive income	6.730	0	0	5.383	0	12.113
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	30.109	-15.753	0	-1.468	0	12.888
Financial liabilities held for trading	-557.771	14.755	7.689	20.500	0	-514.827
Total level 3 financial assets / liabilities	**-520.933**	**-998**	**7.689**	**24.415**	**0**	**-489.827**

Table FVAL.3

(a) Corresponds to the realized and unrealized P & L and other comprehensive income during the period of financial assets / liabilities classified as Level 3 at the beginning (including the impact

(b) Settlements during the period of financial assets / OBLIGATIONS classified as level 3 at the beginning (Purchases, Sales and redemption of securities)

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:				
31.12.2017	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE
Assets available for sale	6.730	0	0	0	0	6.730
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	25.856	4.102	0	151	0	30.109
Financial liabilities held for trading	-484.250	-1.335	-14.899	-57.287	0	-557.771
Total level 3 financial assets / liabilities	**-451.664**	**2.767**	**-14.899**	**-57.136**	**0**	**-520.933**

Table FVAL.4

(a) Corresponds to the realized and unrealized P & L and OCI during the period of financial assets / liabilities classified as Level 3 at the beginning (including the impact of foreign exchange

(b) Settlements during the period of financial assets / OBLIGATIONS classified as level 3 at the beginning (Purchases, Sales and redemption of securities)

The movements in the financial instruments for which the fair value is based on quoted prices or observable data other than quoted prices are mainly due to the following elements (in ‘000 EUR):

FV 2018 Delta	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-410.158	-27	5.383
IMPACT IFRS 9	-176.605	0	0
From Level 2 to Level 1	0	0	0
From Level 3 to Level 2	0	0	0
Delta compared to evolution Market Value	-51.566	0	0
TOTAL	-638.329	-28	5.383

Table FVAL.5

FV 2017 Delta	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-1.277.526	0	0
From Level 2 to Level 1	0	0	0
From Level 3 to Level 2	0	0	0
Delta compared to evolution Market Value	-75.191	0	0
TOTAL	-1.352.717	0	0

Table FVAL.6

Fair value hierarchy: financial instruments at amortised cost

Asset/Liability 2018.12 In '000 eur	carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
Financial assets at amortised cost	22.817.320	25.049.649	154.704		24.894.945
Debt securities	176.254	154.704	154.704		
Loans and advances	22.641.066	24.894.945			24.894.945
Financial liabilities measured at amortised cost	23.868.409	23.904.734		4.857.881	19.046.853
Deposits	18.189.614	18.189.614			18.189.614
Debt securities issued	4.848.349	4.884.674		4.857.881	26.793
Other financial liabilities	830.446	830.446			830.446

Table.FVAL.7

Asset/Liability 2017.12 In '000 eur	carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
Loans & receivables	21.921.564	23.681.062			23.681.062
Debt securities					
Loans and advances	21.921.564	23.681.062			23.681.062
Held-to-maturity investments					
Debt securities					
Loans and advances					
Financial liabilities measured at amortised cost	23.398.416	23.478.145		4.289.462	19.188.683
Deposits	18.362.605	18.362.605			18.362.605
Debt securities issued	4.253.792	4.333.521		4.289.462	44.059
Other financial liabilities	782.019	782.019			782.019

Table.FVAL.8

The estimated fair value of loans and receivables results from own calculations of the discounted amount of the loan cash flows using the 6 months swap curve.

Financial liabilities measured at amortised cost are covered bonds for which the fair value is based on information obtained from more than 20 market participants or obtained from Bloomberg.

5.3 Day One Results

No day one results were recognised during the 2018 financial year.

5.4 Application of CVA and DVA on the Derivative Portfolio

Based on internal assessment by AXA Bank Belgium, management believes that the impact of the application of CVA (Credit Value Adjustment) and DVA (Debit Value Adjustment) on the derivative portfolio amounted to gross CVA of 3.9 million EUR and gross DVA of 2.8 million EUR. The net impact (earnings) thus came to 1.1 million EUR (before tax) and was recognised on the balance sheet. The evolution since 2017 (a profit (before taxes) of 3.5 million EUR) negatively impacts profit or loss (before taxes) in 2018 for 2.4 million EUR.

IFRS 13 – *Fair Value* defines the concept of fair value. Concerning derivatives, this standard requires integrating a measure of credit risk in the calculation of fair value through a CVA and a DVA. The CVA measures credit risk incurred by AXA Bank Belgium on its counterpart while the DVA measures the credit risk incurred by the counterpart on AXA Bank Belgium.

The CVA and DVA are calculated net by counterpart. The CVA (DVA) depends on the exposure at the closing date, the counterparty credit spread (AXA Bank Belgium) and maturity of the deals. For any given offset, exposure consists of part of the current exposure, i.e. the difference between the fair value of the position at the reporting date and the value of collateral exchanged at the said date and, secondly, of the potential future exposure, i.e. the expected change in the fair value of the position over a period of 10 days.

This total exposure is maintained until the average maturity of deals.

The subpart 'current exposure' changes over time. For the first 10 days, it corresponds to the difference between the fair value of the positions on the closing date and the value of the collateral exchanged on that date. From the 11th day, this current exposure is replaced by the current maximum exposure as defined in the collateral contract (CSA Threshold and Minimum Transfer Amount) adjusted with a coefficient reflecting the average exposure during the 3 last months, increased with a potential initial margin that is paid/received on the closing date and with a potential structural difference between de delivered/received collateral and the measurements of AXA Bank Belgium. At the end of 2018 no structural differences were observed between the collateral and the measurements of AXA Bank Belgium.

5.5 Application of DVA on EMTNs issued

See chapter 28 *Financial Liabilities Designated at Fair Value through Profit or Loss*.

6 Critical Accounting Estimates and Judgements

AXA Bank Belgium uses estimates and judgements when drawing up its Consolidated Financial Statements on the basis of IFRS. These estimates and judgements are continuously tested and are based on past experience and other factors, including an acceptable assessment of future events based on currently known conditions.
Estimates and judgements take place primarily in the following areas:

- assessment of the classification of financial assets based on the business model and the characteristics of contractual cash flows (see chapter 2.2.2.1 *Financial Assets: Measurement Categories*)*;*
- assessment of the classification of financial liabilities (see chapter 2.2.2.2 *Financial Liabilities: Measurement Categories*);
- estimation of impairment for expected credit losses on financial assets at amortised cost and on financial assets at fair value through OCI (see chapter 2.2.5 *Impairment*);
- assessing the extent to which the credit risk on these financial assets has significantly increased and the use of future-oriented information (see chapter 2.2.5 *Impairment*);
- estimation of write-offs for credit losses (see chapter 2.2.5 *Impairment*);
- assessment of the classification in categories related to determining the fair value (see chapter 5 *Fair Value of Financial Assets and Liabilities);*
- determination of the fair value of non-quoted financial instruments (see chapter 5 *Fair Value of Financial Assets and Liabilities)*;
- estimation of deferred tax assets (see chapters 2.9.3 *Estimation of Deferred Taxes and* 16 *Income taxes*);
- measurement of the CVA and DVA on derivatives and on financial liabilities at fair value through profit or loss (see chapters 5.4 *Application of CVA and DVA on the Derivatives Portfolio* and 28*Financial Liabilities Designated at Fair Value through Profit or Loss)*;
- estimation of the cost of share-based payments (see chapter 13.3 *Share-based Payments);*
- estimation of provisions for pension liabilities (see chapter 13.2 *Pension Liabilities and Other Benefits*);
- estimation of present obligations arising from past events in the recognition of other provisions (see chapter 31 *Provisions*);
- estimation of the expected useful life of tangible and intangible fixed assets (see chapter 2.10 *Property, Plant and Equipment* and 2.11 *Intangible Fixed Assets*)
- determining control in the preparation of the consolidation scope (see chapter 25 *Investments in Subsidiaries, Joint Ventures and Associates.*

7 Fee and Commission Income (Expenses)

Fee and commission income and expenses in '000 EUR	2018.12	2017.12
Fee and commission income		
Securities	33.247	30.591
Issued	31.302	28.222
Transfer orders	135	100
Other	1.811	2.270
Clearing and settlement		
Trust and fiduciary activities	930	906
Asset management		
Custody	930	906
Other fiduciary transactions		
Loan commitments		
Payment services	7.682	7.177
Structured finance		
Servicing fees from securitization activities		
Other	48.867	24.619
TOTAL	90.726	63.293
Fee and commission expenses		
Commissions to agents (acquisition costs)	36.759	44.271
Clearing, settlement and consignment	632	781
Other	39.859	8.700
TOTAL	77.250	53.752

Table FCIE.1

8 Realised Gains (Losses) on Financial Assets and Liabilities Not Measured at Fair Value through Profit or Loss

Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss 2018.12 in '000 EUR	Net
Debt securities	5.775
Loans and advances	3.438
Deposits	
Debt securities issued	
Other financial liabilities	
TOTAL	9.213

Table GLNPL.1

Net income from financial instruments not classified as fair value through profit or loss 2017.12 in '000 EUR	Net
Available-for-sale financial assets	44.636
Loans and receivables (including finance leases)	3.269
Held-to-maturity investments	
Financial liabilities measured at amortised cost	6.018
Other	
TOTAL	53.922

Table GLNPL.2

9 Gains (Losses) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss 2018.12 in '000 EUR	Net	Amount of change in FV due to changes in the credit risk
Debt securities		
Loans and advances		
Deposits		
Debt securities issued	27.921	-688
Other financial liabilities		
TOTAL	27.921	-688

Table GLFVPL.1

Net income from financial instruments designated at fair value 2017.12 in '000 EUR	Net	Amount of change in FV due to changes in the credit risk
Financial assets designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	10.604	
TOTAL	10.604	

Table GLFVPL.2

10 Gains (Losses) from Hedge Accounting

Net income from hedging activities 2018.12 in '000 EUR	Net
Fair value changes of the hedging instrument [including discontinuation]	-50.124
Fair value changes of the hedged item attributable to the hedged risk	51.052
Ineffectiveness in profit or loss from cash flow hedges	
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	928

Table GLHA.1

Net income from hedging activities 2017.12 in '000 EUR	Net
Fair value changes of the hedging instrument [including discontinuation]	127.325
Fair value changes of the hedged item attributable to the hedged risk	-124.986
Ineffectiveness in profit or loss from cash flow hedges	
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	2.340

Table GLHA.2

This includes the amortisation of the fair value change of the hedged position.

The ineffectiveness on fair value hedging is listed in the profit and loss account, in the line ‘Profits (losses) on hedge accounting’.

11 Other Operating Net Income

Other operating income and expenses in '000 EUR	2018.12	2017.12
INCOME	21.602	38.417
Tangible assets measured using the revaluation model		
Investment property		166
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	21.602	38.251
EXPENSES	2	1.467
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		1.465
Other	2	2
TOTAL	21.600	36.951

Table OONI.1

12 Operational Lease Agreements

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

As lessee, AXA Bank Belgium only has operational lease contracts.

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

Assets held under an operating lease as a lessee 2018.12 in '000 EUR	*Total amount of future minimum lease payments under non-cancellable operating leases*	*Total amount of future minimum sublease payments expected to be received under non-cancellable subleases*	*Minimum lease payments recognized as expense*	*Contingent lease payments recognized as expense*	*Sublease payments recognized as expense*
For the lessee - residual maturity					
< 1 year	1.256		1.519		
> 1 year ≤ 5 year	1.501				
> 5 year	52				
TOTAAL NOMINAL AMOUNT	**2.809**		**1.519**		

Table OLA.1

Assets held under an operating lease as a lessee 2017.12 in '000 EUR	*Total amount of future minimum lease payments under non-cancellable operating leases*	*Total amount of future minimum sublease payments expected to be received under non-cancellable subleases*	*Minimum lease payments recognized as expense*	*Contingent lease payments recognized as expense*	*Sublease payments recognized as expense*
For the lessee - residual maturity					
< 1 year	1.079		1.465		
> 1 year ≤ 5 year	1.710				
> 5 year	53				
TOTAAL NOMINAL AMOUNT	**2.842**		**1.465**		

Table OLA.2

13 Employee Benefits

13.1 Breakdown of Employee Benefits

Employee benefits in '000 EUR	2018.12	2017.12
Wages and salaries	59.309	59.257
Social security charges	15.369	22.888
Pension and similar expenses	1.228	1.850
Share based payments		
Other	17.021	4.855
TOTAL	92.928	88.850

Table PE.1

13.2 Pension Liabilities and Other Benefits

13.2.1 General Principles

13.2.1.1 Defined Benefit Plans

The measured plans represent the pension plans on the one hand and the medical benefits on the other related to hospitalisation cover after retirement.

AXA Bank Belgium has set up 13 pension plans of which 7 are legally structured as defined contribution type plans.

Pension plans are subject to social and prudential rules applicable in Belgium, i.e. the law on supplementary pensions.

Because Belgian legislation is applicable to the second-pillar pension plans (law on supplementary pensions), all Belgian pension plans of the defined contributions type should be considered under IFRS as defined pension benefit plans. The law on supplementary pensions states that under the defined-contribution-type plans, the employer must ensure a minimum return of 3.75% on personal employee contributions and 3.25% on employer contributions. Since 2016, this minimum rate of return becomes a variable rate based on Belgian government bonds OLO but with a minimum fixed income at 1.75% and a fixed maximum income at 3.75%.

Because of this minimum income guarantee in Belgium for defined-contribution-type pension plans, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the underlying assets do not produce sufficient income in accordance with the legal requirements by paying all the employee benefits relating to the services rendered by the employee during the current and prior periods). Consequently, these pension plans should be classified and accounted for as defined pension benefit plans under IAS 19 *Employee Benefits*.

For this pension type, the accounting methods used to measure the assets and liabilities are as follows:

- The defined benefit obligation is determined by projecting the guaranteed minimal reserve on the calculation date against the minimum guaranteed rate at the targeted pension date, and by discounting this based on the determined discount rate, considering mortality and leave assumptions.
- The fair value of the assets is determined based on the actual build-up of reserves (considering the amounts deposited and the actual returns on the calculation date).

On the other hand, AXA Bank Belgium provides 'hospitalisation' cover to employees at retirement. The cover offered is similar to that offered during the period of employment for a large part of the staff. AXA Bank Belgium partially funds these employee benefits after retirement.

The financial assumptions used in the valuation of each plan at 31 December of each year are as follows:

	2018	2017	2016	2015	2014
Discount rate	1,55%	1,45%	1,50%	2,30%	1,80%
Inflation rate	1,70%	1,60%	1,60%	1,60%	2,00%
Percentage of salry increase	2,40%	2,30%	2,60%	2,60%	3,00%

Table PE.2

Health care costs increase at an estimated 2% yearly.

The mortality tables used to calculate these liabilities are the MR/FR mortality tables (1988-1989) with an age adjustment of minus five years.

The normal retirement age is 65 years to comply with expected long-term trends.

The probability of departure before retirement rate is set according to age according to the table below:

Age	percentage
< 20 year	0,0%
20 year <= 24 year	8,0%
25 year <= 29 year	8,0%
30 year <= 34 year	8,0%
35 year <= 39 year	5,0%
40 year <= 44 year	3,5%
45 year <= 49 year	3,0%
50 year <= 54 year	2,0%
55 year <= 59 year	1,8%
60 year <= 65 year	1,8%

Table PE.3

All these assumptions have been set in keeping with the statistical observations on the populations concerned as well as with economic expectations:

- The discount rate is determined at the closing date from the AA corporate bond market rates in the Eurozone and depending on the duration and characteristics of the plans. The duration of the liabilities is about 10.2 years at the end of 2018 compared to about 10.4 years at the end of 2017.
- A decrease of 0.5% in the discount rate would change the total DBO (defined benefit obligation) to +5.4% and service costs during the period of +5.2%.
- An increase of 0.5% discount rate would reduce the total DBO by -4.7% and service costs during the period by -4.7%.
- An increase of 0.5% in the inflation rate would change the total DBO by +2.6% and service costs during the period would increase by +3.5%.
- An increase of 0.5% in the inflation rate for medical costs would give rise to an increase in total DBO of +0.3% and service costs during the period would increase by +0.5%.
- An increase of 0.5% in salaries would increase the total DBO by 5.4% while service costs during the period would increase by +6.6%.

13.2.1.2 Variation Annual Pension Liabilities and Other Benefits

The annual change in the defined benefit obligation is calculated based on the following items:

- service costs during the period representing the increase in the actuarial liability for an additional year of seniority;
- interest on the actuarial liability representing the cost of discounting over one year (interest cost);
- employee contributions;
- changes of plans (modification, curtailment, settlement, acquisitions and disposals, etc.);
- actuarial profits and losses due to changes in assumptions and to experience;
- the benefits paid by the employer and by the assets.

13.2.2 Information Presented in the Balance Sheet

Information presented in the balance sheet for pension and other benefits shows the difference between the benefit obligation and the fair value of plan assets. When this difference is positive, a provision is recognised. When this difference is negative, a prepaid charge is recorded in the balance sheet.

In addition, and in accordance with IAS 19 *Employee Benefits*, an asset class, called ‘separate assets’ is presented in the balance sheet. IFRS has created the concept of ‘separate assets’ which are assets that cannot be deducted from the actuarial debt. At AXA Bank Belgium, separate assets are insurance contracts issued by certain subsidiaries to cover their defined benefit plans. In accounting terms, the result of separate assets is an increase in the provision recorded or a decrease in the prepaid charge. These assets are presented in a separate section of the following table. These assets are available to potential creditors only in case of bankruptcy. Their economic nature is thus similar to that of Plan Assets on a going-concern basis. However, this is because these assets are made available through an insurance policy that IFRS requires to recognise them in the category ‘separate assets’, despite their economic nature.

Following IAS 19, AXA Bank Belgium recognises all actuarial gains and losses in a special line in OCI.

Actuarial gains and losses are defined as adjustments due to changes in actuarial assumptions and experience effects (changes in population characteristics between two assessments). Actuarial losses and gains also include differences between the expected income (that corresponds to the discount rate in accordance with IAS 19) and the actual income from financial investments.

In addition to changes between the expected return from assets as mentioned above, IAS 19 requires the management of tax and social contributions applicable to pensions and healthcare in Belgium.

The table below shows the changes in the benefit obligation and changes in plan assets for pension plans and other benefits under the categories ‘plan assets’ and ‘separate assets’ at 31 December 2018.

(In '000 EUR)	12.2018	12.2017
Changes in the commitment		
Actuarial liability at the start of the period	152.292	161.193
Service cost	5.388	5.728
Interest on the actuarial liability	1.720	1.792
Employee contributions.	313	343
Modification, curtailment, (incl. acquisitions and disposals, etc.)	2.888	
Actuarial profits and losses due to changes to experience.	1.115	-2.195
Actuarial differences resulting from change in the hyp for Demographics		-2.018
Actuarial differences resulting from change in the hyp for Financials	-902	-3.876
Benefits paid	-6.079	-8.591
Benefits paid directly by the employer.	-117	-84
Inclusion of DC plans		
Curtailments and settlements		
Actuarial liability at the end of period (A)	**156.618**	**152.292**
Evolution of plan assets hedging		
Fair value of assets at beginning of period	10.428	10.860
Implicit return on assets		115
Actual return on plan hedging assets, excluding the implicit return on assets		285
Employer contributions.		
Employee contributions.		9
Incoming (outgoing) transfers (incl. acquisitions and disposals)	-10.428	
Benefits paid		-841
Effect of exchange rate changes		
Fair value of assets at end of period (B)	**0**	**10.428**
Changes in separate assets		
Fair value of assets at beginning of period	93.891	91.412
Implicit return on assets	1.160	1.000
Actual return on plan hedging assets, excluding the implicit return on assets	1.242	2.450
Employer contributions.	6.468	6.528
Employee contributions.	313	334
Incoming (outgoing) transfers (incl. acquisitions and disposals)	12.204	
Benefits paid	-6.195	-7.834
Effect of exchange rate changes		
Recording of DC plans		
Fair value of assets at end of period	**109.083**	**93.891**
Funding of liabilities		
Underfunded plans (plan by plan)	-156.618	-141.864
Overfunded plans (plan by plan)		
Unfunded commitments (B) - (A)	-156.618	-141.864
Unrecognised past service cost		
Cumulative impact of asset ceiling		
Liabilities recorded in the statement of financial position (excluding separate assets)		
Recognised assets		
Provisions recorded	-156.618	-141.864
Net position (excluding separate assets)	**-156.618**	**-141.864**
Net economic funding		
(including: separate assets)		
Net position (excluding separate assets)	-156.618	-141.864
Fair value of separate assets at end of period	109.083	93.891
Net economic funding (including: separate assets)	**-47.535**	**-47.973**

Table PE.4

This variation is mainly explained by

- changes in financial and demographic assumptions (see chapter 13.2.1.1 *Defined Benefit Plans*)
- conversion of the ex-Anhyp pension fund into an insurance contract with AXA Belgium
- transfer of certain staff members from AXA Tech to AXA Bank Belgium.

13.2.3 Annual Pension and Other Benefits Expense

Annual pension and other benefits expense recorded in the income statement (included in 'cost of pension obligations and other benefits') is presented below at 31 December 2017 and 31 December 2018:

(In '000 EUR)	12.2018	12.2017
Annual pension expense and other benefits		
Service cost	6.812	6.071
Curtailments and settlements	0	
Employee contributions	-313	-343
Interest on the actuarial liability	1.720	1.792
Implicit return on plan assets/separate assets	-1.160	-1.115
Total annual pension expense and other benefits	**7.058**	**6.405**

Table PE.5

13.2.4 Evolution of the Provision on the Balance Sheet (Excluding Separate Assets)

Change in the provision recorded on the balance sheet between 1 January 2018 and 31 December 2018 only presents the change of the provision recognised in the accounts of AXA Bank Belgium. This reconciliation does not include 'separate assets'. It thus does not fully represent the economic reality. The table below shows the detailed changes in the liabilities recorded on the balance sheet with separate assets added at the end of each financial year.

The separate assets represent the fair value of assets backing the obligations under defined benefit plans covered by both insurance policies at AXA Bank Belgium that give direct rights to employees and by insurance policies with related parties which are outside the consolidation scope. In such circumstances, these assets cannot qualify as plan assets deducted from the commitments but represent reimbursement rights recognised as separate assets in accordance with the recommendations of IAS 19. Assets and insurance technical reserves (in the case of entities in the consolidation scope) also remain in the consolidated balance sheet.

The change in net economic funding commitments between 1 January 2018 and 31 December 2018 reflects the changes in the provision recognised in the accounts of AXA Bank Belgium and the changes in separate assets.

(in '000 EUR)	12.2018	12.2017
Evolution of the provision on the balance sheet		
Provision recorded in the balance sheet at beginning of the period	**-141.864**	**-150.333**
Annual pension expense and other benefits	-7.421	-7.739
Employer contributions.		
Employer benefits	117	84
Benefits paid by separate assets	6.079	7.750
Actuarial gain/losses recognised in other comprehensive income	-213	8.374
Modification of regime	-13.316	
Provision recorded in the balance sheet at the end of the period	**-156.618**	**-141.864**
Fair value of separate assets at end of the period	109.083	93.891
Net economic funding for commitments at the end of the period	**-47.535**	**-47.973**

Table PE.6

To be noted:

- conversion of the ex-Anhyp pension fund into an insurance contract with AXA Belgium
- transfer of certain staff members from AXA Tech to AXA Bank Belgium.

This change in liability is recognised on the line 'Change pension fund'.

13.2.5 Upcoming Outflows (Benefits Paid and Employer Contributions)

Estimated future benefit payments

Expected future benefits amounted to 2.5 million EUR for 2018 and 3.4 million EUR for 2019. These amounts may vary depending on differences between assumptions and reality in future years.

Expected employer contributions to plan assets and separate assets

Entities must annually pay the cost to benefits for which the contributions are determined as a percentage of pensionable salary depending on the age or the seniority of the beneficiaries. The estimated amount of employer contributions payable in 2019 for pension commitments is 5.9 million EUR. This amount may vary depending on differences between assumptions and reality in future years and represents contributions not directly related to the IFRS annual pension expense and other benefits.

13.2.6 Pension Assets

Due to the longevity of pension liabilities, plan assets generally include stocks, bonds and real estate.

The plan assets of AXA Bank Belgium are mainly insurance contracts with a guaranteed rate of return. These contracts are underwritten by AXA Belgium.

Regarding the existing Anhyp former regime, as of 1 July 1983, the funding vehicle was a pension fund until 31 December 2017. The financial assets of the fund were realised end 2017. The transfer of the active members to a group insurance of AXA Belgium was done beginning of 2018.

13.3 Share-based Payments

13.3.1 General Principles

The instruments specified below for share payments are mainly instruments settled in shares, but also include instruments with cash settlement. The unit costs of the share based payments with settlement in shares do not vary for a given plan while the costs of the instruments settled in cash are updated at every closure.
The total cost for AXA Bank Belgium is not significant in 2018.

13.3.2 Stock Options AXA SA

Until 2016, the Senior Executives of AXA Group could receive shares from AXA within the framework of the share option schemes of the company. The conditions for each option grant could vary. Last year, the options (i) were allocated for a price not lower than the average of the closing prices of AXA shares on the Paris stock exchange for the twenty days preceding the allocation. The options are valid for at least 10 years and they can generally be exercised in tranches of 33.33% per year from the third up to the fifth anniversary of the option allocation date.
For beneficiaries, the stock options granted have been unconditionally acquired for the first two tranches while the third tranche can be exercised if a performance condition for AXA shares is met when compared to the ‘DowJones Europe Stoxx Insurance’ benchmark index.

The following table provides an overview of current options.

2018.12	Options (in '000 EUR)	Average Price (in '000 EUR)
Outstanding at 1/1	114,4	
Allocations	0,0	
Capital increases	0,0	
Excercised	-12,3	15,65
Options expired and cancelled	-19,6	21,16
Other movements	-1,9	
Outstanding at 31.12	**80,6**	**14,64**

Table PE.7

2017.12	Options (in '000 EUR)	Average Price (in '000 EUR)
Outstanding at 1/1	402,4	
Allocations	0,0	
Capital increases	0,0	
Excercised	-28,8	14,82
Options expired and cancelled	-75,8	32,95
Correction	-72,3	
Other movements	-111,1	
Outstanding at 31.12	**114,4**	**18,91**

Table PE.8

The number of options in circulation and the number of options that can be exercised at 31 December 2017 are shown thereafter in accordance with the expiry date:

Date of Grant	Excercise Price	Outstanding	Exercisable
2009-03-20	9,76 €	4.413,00	4.413,00
2010-03-19	15,43 €	7.780,00	7.780,00
2011-03-18	14,73 €	13.793,00	13.793,00
2012-03-16	12,22 €	7.000,00	7.000,00
2013-03-22	13,81 €	4.800,00	4.800,00
2014-03-24	18,68 €	17.470,00	17.470,00
2015-06-19	22,90 €	6.410,00	4.273,33
2016-06-06	21,52 €	18.886,00	6.295,33

Table PE.9

The Black and Scholes model for valuing options has been used to establish the fair value of the AXA share options. The consequence of exercising options before their expiry date is taken into consideration based on a hypothesis for the expected lifecycle that arises from the observation of historical data. The volatility of the AXA share is estimated using the implicit volatility method validated through the analysis of historical volatility to ascertain the hypothesis' coherence. The hypothesis for the expected dividend of the AXA share is based on market consensus. The risk-free return arises from the interest curve of the Euro Swap for the corresponding maturity.

13.3.3 Shareplan AXA SA

AXA gives its employees the option of becoming shareholders thanks to a special issue that is reserved for them. In the countries that meet legal and tax requirements, two investment options are proposed: the traditional shareholder plan and the plan with leverage.
The traditional plan gives employees the option to subscribe to AXA shares based on the initial contribution (through the mutual investment fund of the company or through shares held directly) with a maximum discount of 20%. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees carry the risk of all share evolutions when compared to the subscription price.
The leverage plan gives employees the option to subscribe to AXA shares based on 10 times their initial contribution (through the mutual investment fund of the company or through shares held directly) with a discount of 5.85%. The leverage on the personal contribution of employees takes place in the form of a loan (without recovery on the employee above the value of the shares) that is granted by a third party bank. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees who participate in the leverage scheme are given the guarantee of their initial personal contribution and also a certain percentage of the value increase of the share (when compared to the unreduced reference price) for the total invested amount.
At the end of the unavailability period of 5 years, employees can choose from the following: to buy out their saving credit (exit with cash settlement) or transfer their credit invested in the leverage formula to the traditional fund.
The costs of the shareholder plan are valued by taking into account the 5-year restriction for the employee. The approach adopted prices the share based on a replication strategy by which the participant would sell the share on the stock exchange after the 5 year restrictive period and would borrow the amount that is required to immediately purchase an unencumbered share with loan funding by future selling and the dividends paid out during the restrictive period. The opportunity profit must be added to the cost of the plan for the leverage plan that is implicitly offered by AXA since it allows its employees to enjoy the institutional price (and not the stock exchange retail price) for the derivatives.
The AXA Group has proposed to its employees within the framework of the Group employees shareholding policy that they subscribe to a reserved capital increase for a price of 18.56 EUR for the traditional plan (20% discount when compared to the reference price of 23.19 EUR calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and 21.83 EUR for the leverage plan (5.85% discount when compared to the reference price) during the past financial year. The AXA Bank Belgium employees subscribed for an amount of 0.7 million EUR.

	2018		2017	
	Traditional	Leveraged	Traditional	Leveraged
Plan maturity (in years)	5	5	5	5
[A] Discount to face value	20,00%	5,86%	20.00%	8,98%
Reference price (in '000' EUR)	23,19	23,19	25,23	25,23
Subscription price (in '000' EUR)	18,56	21,83	20,19	22,96
Interest rate on employee loan	6,64%	7,16%	6,64%	7,16%
5-year risk-free rate (euro zone)	0,23%	0,23%	0,23%	0,23%
Dividend yield	5,53%	5,53%	5,53%	5,53%
Early exit rate	1,43%	1,43%	1,43%	1,43%
Debit interest rate	0,00%	0,00%	0,00%	0,00%
Retail/institutional volatility spread	N/A	2,50%	N/A	2,50%
[B] Cost of the lock-up for the employee	19,61%	5,83%	19,61%	8,95%
[C] Opportunity gain	N/A	1,92%	0,00%	1,92%

Tableau PE.10

13.3.4 Performance Shares

In 2013, AXA established common procedures for awarding ‘Performance Shares’ to employees eligible for this. Under the terms of the plan, the beneficiaries of ‘Performance Shares’ are entitled to receive a specific number of shares from AXA, based on performance criteria defined by AXA. The period for measuring that performance is 2 years. The period for acquisition of the rights is 3 years. Payment of the performance shares awarded (2013 plan) is made in shares.
Since 2014 the performance period is 2 years for the first tranche and 3 years for the second, followed by a deferred acquisition period of 1 year.
For performance shares granted from 2015, the performance period is 3 years followed by a deferred acquisition period of 1 year.

14 General and Administrative Expenses

Other operating expenses in '000 EUR	2018.12	2017.12
Marketing expenses	5.682	7.921
Professional fees	15.417	18.335
IT expenses	35.621	40.779
Rents to pay or to receive	-1.541	-1.498
Operating leases	1.519	
Bank taxes	42.341	47.947
Other	37.009	33.135
TOTAL	136.048	146.617

Table GAE.1

As from 2018 the banking taxes are shown separately. The comparatives for 2017 were adjusted.

Banking Taxes

The taxable basis for the banking tax is the arithmetic mean of the monthly amount of 'debt towards clients' in the Schema A reporting of the year preceding the tax year. The tax rate at this moment is 0.13231% (the tax rate shall be adapted on a yearly base, based on new data concerning the taxable base and the target budgetary purposes). As such, the 2018 banking tax amounts to 42.3 million EUR for AXA Bank Belgium.

Contribution to the Single Resolution Mechanism

The Single Resolution Mechanism (SRM) is one of the pillars of the European Union's banking union. The SRM came into force on 19 August 2014 and is directly responsible for the resolution of the entities and groups directly supervised by the European Central Bank (ECB). The centralised decision making is built around the Single Resolution Board (SRB).
In 2018, the contributions are based on a combination of 2 guidelines:

- 33% in accordance with a target determined at national level (Belgian deposit guarantee system)
- 67% in accordance with a target determined at the Banking Union level

These percentages will gradually evolve during the next years to become 100% based on the Banking Union target by 2023.
The contributions to be paid by each institution are determined in proportion to its relative risk profile, based on a detailed calculation methodology. As such, the 2018 contribution for AXA Bank Belgium amounts to 5.1 million EUR.
Furthermore, in application of the EU regulations, the SRB has decided to accept that 15% of the 2017 payment obligation of institutions may take the form of irrevocable payment commitments (IPCs).
IPCs can be defined as an obligation on the part of credit institutions to pay their contributions in the future. The IPCs are mandatorily backed by a cash collateral for the same amount as the IPCs. The SRB is entitled to call for payment of the IPC by sending a notice to the credit institution.
Contrary to cash contributions, which are reflected in the profit and loss statement (P&L) upon their payment, the IPCs and the cash collateral are considered as contingent liabilities under IFRS. Contingent liabilities are not recognised on the balance sheet nor in the income statement, but – if the possibility of any outflow in settlement is not remote – they are disclosed.
As from the moment of providing the cash collateral to the SRB, the cash is transferred on the balance sheet from 'Cash and balances with central banks' to 'Other assets'.
As there are currently no indications that the SRB would call for cash payment (and so no present obligation), no provision has been set up.
AXA Bank Belgium has used IPCs as payment of its 2018 contributions for an amount of 0.8 million EUR.

15 Impairment

2018.12 in '000 EUR	Stage 1			Stage 2			Stage 3		
	Overdue ≤ 30 days	*Overdue > 30 days & ≤ 90 days*	*Overdue > 90 days*	*Overdue ≤ 30 days*	*Overdue > 30 days & ≤ 90 days*	*Overdue > 90 days*	*Overdue ≤ 30 days*	*Overdue > 30 days & ≤ 90 days*	*Overdue > 90 days*
Debt instruments									
Central governments									
Credit institutions									
Non credit institutions									
Corporate									
Loans & advances	739.681	10		253.997	115.803	73	38.115	50.807	101.070
Central governments	3			8		0			
Credit institutions									
Non credit institutions	17.769			6.078	1.001	1	2.056	2.774	2.051
Corporate	22.837	2		17.462	4.828	13	1.961	3.127	8.841
Retail	699.072	8		230.448	109.974	59	34.097	44.905	90.178
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	78.203	6		17.714	8.410		344	392	3.332
Mortgage loans	612.334	1		205.767	98.887	1	32.855	42.608	80.780
Term loans	8.295	1		6.353	2.072		803	1.805	4.458
Current accounts	241			614	605	58	96	100	1.608
Other									
Other financial assets									
TOTAL	**739.681**	**10**		**253.997**	**115.803**	**73**	**38.115**	**50.807**	**101.070**

Table IMP.1

2017.12 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*	*of which forbearance*	*Collateral and other credit enhancements received as security for the related impaired and past due assets*
Equity instruments					23				
Quoted									
Unquoted but FV determinable					23				
Equity instruments at cost									
Debt instruments									
Central governments									
Credit institutions									
Non credit institutions									
Corporate									
Loans & advances	1.171.131	41	25	30	245.119	63.522	17.579	3.572	
Central governments	20								
Credit institutions									
Non credit institutions	23.658	0	0	1	8.217	1.727		73	
Corporate	51.505	0	4	10	17.080	11.662	146	614	
Retail	1.095.948	41	22	19	219.822	50.133	17.434	2.885	
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	118.418				6.839		5.030		
Mortgage loans	957.317	10			208.090	36.678	9.566	2.676	
Term loans	16.808				2.039	6.522	2.621		
Current accounts	3.405	31	22	19	2.851	4.974	217		
Other					3	1.959			
Other financial assets									
TOTAL	**1.171.131**	**41**	**25**	**30**	**245.141**	**63.522**	**17.579**	**3.572**	
Allowances for incurred but not reported losses on financial assets							6.842		
Non specifically attributable collaterals									

Table IMP.2

Overview of impairment 2018.12 in '000 EUR	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	44.230	24.689	19.542
Financial assets at fair value through other comprehensive income	0	111	-111
Financial assets at amortised cost	44.230	24.578	19.653
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible fixed assets			
Other			
Investments in associates and joint ventures accounted for using the equity method			
TOTAL	44.230	24.689	19.542

Table IMP.3

Overview of impairment 2017.12 in '000 EUR	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	44.529	31.684	12.845
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity			
Loans and receivables measured at amortized cost (including finance leases)	44.529	31.684	12.845
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	44.529	31.684	12.845
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table IMP.4

Changes in gross carrying amount between the beginning and the end of annual period
2018.12
in '000 EUR

Financial assets at fair value through other comprehensive income

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	2.778.074			2.778.074
From Stage 1 to Stage 2				
From Stage 1 to Stage 3				
From Stage 2 to Stage 1				
From Stage 2 to Stage 3				
From Stage 3 to Stage 1				
From Stage 3 to Stage 2				
New financial assets originated or purchased				
Financial assets derecognised	-410.159			-410.159
Changes in interest accrual	-23.598			-23.598
Capital and other movements	-38.134			-38.134
Closing balance	2.306.184			2.306.184

Financial assets at amortised cost

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	176.605			176.605
From Stage 1 to Stage 2				
From Stage 1 to Stage 3				
From Stage 2 to Stage 1				
From Stage 2 to Stage 3				
From Stage 3 to Stage 1				
From Stage 3 to Stage 2				
New financial assets originated or purchased				
Financial assets derecognised				
Changes in interest accrual	-54			-54
Capital and other movements	-297			-297
Closing balance	176.254			176.254

Consumer Loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	734.203	60.210	13.185	807.598
Transferts				
From Stage 1 to Stage 2	-36.424	36.424		0
From Stage 1 to Stage 3	-1.816		1.816	0
From Stage 2 to Stage 1	14.312	-14.312		0
From Stage 2 to Stage 3		-1.490	1.490	0
From Stage 3 to Stage 1	184		-184	0
From Stage 3 to Stage 2		450	-450	0
New financial assets originated or purchased	262.907	6.515	299	269.721
Financial assets derecognised	-101.252	-12.187	-1.238	-114.677
Write offs			-1.598	-1.598
Changes in interest accrual	-239	-31	-1	-271
Capital and other movements	-154.348	-16.060	-5.572	-175.980
Closing balance	717.525	59.519	7.747	784.792

Mortgage loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**15.426.579**	**1.238.433**	**258.205**	**16.923.217**
Transferts				
From Stage 1 to Stage 2	-518.325	518.325		0
From Stage 1 to Stage 3	-26.926		26.926	0
From Stage 2 to Stage 1	460.612	-460.612		0
From Stage 2 to Stage 3		-71.006	71.006	0
From Stage 3 to Stage 1	4.086		-4.086	0
From Stage 3 to Stage 2		42.006	-42.006	0
New financial assets originated or purchased	3.016.132	112.539	2.738	3.131.409
Financial assets derecognised	-943.516	-103.737	-33.118	-1.080.372
Write offs			-4.448	-4.448
Changes in interest accrual	-776	-15	-29	-820
Capital and other movements	-729.456	-5.348	-24.624	-759.428
Closing balance	**16.688.412**	**1.270.583**	**250.564**	**18.209.559**

Term loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**2.329.693**	**121.697**	**51.520**	**2.502.911**
Transferts				
From Stage 1 to Stage 2	-88.133	88.133		0
From Stage 1 to Stage 3	-6.314		6.314	0
From Stage 2 to Stage 1	39.113	-39.113		0
From Stage 2 to Stage 3		-11.381	11.381	0
From Stage 3 to Stage 1	1.107		-1.107	0
From Stage 3 to Stage 2		3.680	-3.680	0
New financial assets originated or purchased	611.914	13.118	1.094	626.127
Financial assets derecognised	-73.072	-10.620	-7.925	-91.617
Write offs			-2.589	-2.589
Changes in interest accrual	-3.795	-30	-13	-3.837
Capital and other movements	-848.427	-19.238	-7.474	-875.140
Closing balance	**1.962.087**	**146.246**	**47.522**	**2.155.855**

Current accounts	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**91.885**	**8.492**	**12.375**	**112.752**
Transferts				
From Stage 1 to Stage 2	-3.311	3.311		0
From Stage 1 to Stage 3	-1.238		1.238	0
From Stage 2 to Stage 1	2.227	-2.227		0
From Stage 2 to Stage 3		-1.018	1.018	0
From Stage 3 to Stage 1	217		-217	0
From Stage 3 to Stage 2	0	249	-249	0
New financial assets originated or purchased	15.900	1.138	512	17.551
Financial assets derecognised	-1.771	-777	-2.277	-4.825
Write offs			-1.347	-1.347
Changes in interest accrual	49		170	219
Capital and other movements	-42.184	634	-1.983	-43.534
Closing balance	**61.774**	**9.803**	**9.239**	**80.816**

Other	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	645.574		1.961	647.536
Transferts				
From Stage 1 to Stage 2				
From Stage 1 to Stage 3				
From Stage 2 to Stage 1				
From Stage 2 to Stage 3				
From Stage 3 to Stage 1				
From Stage 3 to Stage 2				
New financial assets originated or purchased	21.901			21.901
Financial assets derecognised	-219.098			-219.098
Write offs	0		-110	-110
Changes in interest accrual				
Capital and other movements	80.629		534	81.163
Closing balance	529.007		2.385	531.392

Reverse repo	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	1.015.494			1.015.494
Transferts				
From Stage 1 to Stage 2				
From Stage 1 to Stage 3				
From Stage 2 to Stage 1				
From Stage 2 to Stage 3				
From Stage 3 to Stage 1				
From Stage 3 to Stage 2				
New financial assets originated or purchased	960.031			960.031
Financial assets derecognised	-1.015.494			-1.015.494
Write offs				
Changes in interest accrual				
Capital and other movements				
Closing balance	960.031			960.031

Changes in loss allowances between the beginning and the end of annual period
2018.12
in '000 EUR

Financial assets at fair value through other comprehensive income

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-111			-111
From Stage 1 to Stage 2				
From Stage 1 to Stage 3				
From Stage 2 to Stage 1				
From Stage 2 to Stage 3				
From Stage 3 to Stage 1				
From Stage 3 to Stage 2				
New financial assets originated or purchased	110			110
Financial assets derecognised	1			1
Change in credit risk				
Other movements				
Closing balance	0			0

Financial assets at amortised cost

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-16			-16
From Stage 1 to Stage 2				
From Stage 1 to Stage 3				
From Stage 2 to Stage 1				
From Stage 2 to Stage 3				
From Stage 3 to Stage 1				
From Stage 3 to Stage 2				
New financial assets originated or purchased				
Financial assets derecognised				
Change in credit risk	16			16
Other movements				
Closing balance	0			0
Consumer Loans	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**
Opening Balance	-290	-696	-5.173	-6.158
Transferts				
From Stage 1 to Stage 2	79	-1.173		-1.094
From Stage 1 to Stage 3	4		-193	-189
From Stage 2 to Stage 1	-87	399		312
From Stage 2 to Stage 3		124	-532	-408
From Stage 3 to Stage 1	-1		49	49
From Stage 3 to Stage 2		-22	158	136
New financial assets originated or purchased	-684	-49		-733
Financial assets derecognised	35	100	134	268
Write offs			1.598	1.598
Change in credit risk	-417	-1.099	1.005	-511
Changes due to update in the institution's methodology for estimation				
Other movements				
Closing balance	-1.360	-2.415	-2.954	-6.729

Mortgage loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-2.598	-7.686	-42.276	-52.560
Transferts				
From Stage 1 to Stage 2	474	-3.612		-3.138
From Stage 1 to Stage 3	10		-358	-348
From Stage 2 to Stage 1	-1.837	3.988		2.151
From Stage 2 to Stage 3		1.629	-4.789	-3.160
From Stage 3 to Stage 1	-1		72	71
From Stage 3 to Stage 2		-863	2.690	1.827
New financial assets originated or purchased	-1.431	-2.306		-3.737
Financial assets derecognised	160	714	1.686	2.559
Write offs			4.448	4.448
Change in credit risk	3.335	1.154	-550	3.939
Changes due to update in the institution's methodology for estimation				
Other movements			1.549	
Closing balance	-1.888	-6.983	-37.528	-46.399

Term loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-651	-753	-16.089	-17.493
Transferts				
From Stage 1 to Stage 2	123	-1.565		-1.442
From Stage 1 to Stage 3	5		-688	-683
From Stage 2 to Stage 1	-126	726		600
From Stage 2 to Stage 3		234	-1.563	-1.330
From Stage 3 to Stage 1	-2		150	148
From Stage 3 to Stage 2		-161	688	528
New financial assets originated or purchased	-516	-177		-693
Financial assets derecognised	201	36	1.042	1.280
Write offs			2.589	2.589
Change in credit risk	-492	-762	-2.737	-3.990
Changes due to update in the institution's methodology for estimation				
Other movements				
Closing balance	-1.457	-2.422	-16.609	-20.487

Current accounts	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-93	-166	-5.700	-5.960
Transferts				
From Stage 1 to Stage 2	19	-37		-17
From Stage 1 to Stage 3	5		-368	-363
From Stage 2 to Stage 1	-24	183		159
From Stage 2 to Stage 3		75	-424	-349
From Stage 3 to Stage 1	-8		74	66
From Stage 3 to Stage 2		-51	102	51
New financial assets originated or purchased	-168	-385		-553
Financial assets derecognised	63	58	242	363
Write offs			1.347	1.347
Change in credit risk	71	55	-300	-174
Changes due to update in the institution's methodology for estimation				
Other movements				
Closing balance	-135	-268	-5.026	-5.429

Other	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance			-1.958	-1.958
Transferts				
From Stage 1 to Stage 2				
From Stage 1 to Stage 3				
From Stage 2 to Stage 1				
From Stage 2 to Stage 3				
From Stage 3 to Stage 1				
From Stage 3 to Stage 2				
New financial assets originated or purchased				
Financial assets derecognised			9	9
Write offs			110	110
Change in credit risk			-496	-496
Changes due to update in the institution's methodology for estimation				
Other movements				
Closing balance			-2.335	-2.335

TABLE IMP.5

All movements run through the income statement except in principle the transitions between step 2 and step 3

Allowances movements for credit losses 2017.12 in '000 EUR	Opening balance	Increases due to amounts set aside for estimated loan losses	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance
Specific allowances for individually assessed financial assets	-70.973	-10.304	4.866	11.977		912	-63.522
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-1.670	-280	132	326		-235	-1.727
Corporate	-12.865	-1.892	893	2.199		2	-11.662
Retail	-56.439	-8.132	3.840	9.452		1.145	-50.133
Specific allowances for collectively assessed financial assets	-19.327	-11.851	6.512	7.086			-17.579
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-70		70				
Corporate	-420	-98	314	59			-146
Retail	-18.836	-11.753	6.128	7.028			-17.434
Allowances for incurred but not reported losses on financial assets	-7.286	-731	1.176				-6.842
TOTAL	**-97.586**	**-22.886**	**12.554**	**19.063**		**912**	**-87.943**

TABLE IMP.6

The contractual amount outstanding on financial assets that have been written off and that is still subject to collection procedures is 34.5million.

Maximum Credit Exposure

The amount recorded as 'maximum credit exposure' refers to the recorded book value except for loans and advances where the unused granted credit line margin has also been added.

Credit exposure 2018.12 in '000 EUR			
Maximum exposure to credit risk - Financial instruments subject to impairment			
Stage 1			
	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments	2.482.438		2.482.438
Loans & advances (balance)	20.918.835	-4.840	20.913.995
Reverse repo	960.031		960.031
Consumer Credit	717.525	-1.360	716.165
Mortgage loans	16.688.412	-1.888	16.686.524
Term loans	1.962.087	-1.457	1.960.630
Current accounts	61.774	-135	61.639
Other	529.006		529.006
Loan commitments and financial guarantee contracts	1.145.319	-998	1.146.317
TOTAL	24.546.592	-5.838	24.542.750
Stage 2			
	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments			
Loans & advances (balance)	1.486.152	-12.088	1.474.064
Reverse repo			
Consumer Credit	59.519	-2.415	57.104
Mortgage loans	1.270.584	-6.983	1.263.601
Term loans	146.246	-2.422	143.824
Current accounts	9.803	-268	9.535
Other			
Loan commitments and financial guarantee contracts	112.080	-480	112.559
TOTAL	1.598.232	-12.568	1.586.623
Stage 3			
	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments			
Loans & advances (balance)	317.457	-64.451	253.006
Reverse repo			
Consumer Credit	7.747	-2.954	4.793
Mortgage loans	250.564	-37.528	213.036
Term loans	47.522	-16.608	30.914
Current accounts	9.239	-5.026	4.213
Other	2.385	-2.335	50
Loan commitments and financial guarantee contracts	685	-82	766
TOTAL	318.142	-64.533	253.772
TOTAL	26.462.966	-82.940	26.383.144

Maximum exposure to credit risk - Financial instruments not subject to impairment	
Equity	13.114
Debt instruments held for trading	197
Derivatives	791.163
Other	135.587
TOTAL	940.060

Carrying amount of financial assets pledged as collateral for	4.261.484
Liabilities	3.012.086
Contingent liabilities	1.249.398

Table IMP.7

Credit exposure 2017.12 in '000 EUR	*Maximum exposure to credit risk - Financial instruments subject to impairment*
Equity	7.778
Debt instruments	2.946.296
Loans & advances (balance)	21.921.564
Reverse repo	1.015.494
Consumer Credit	801.271
Mortgage loans	16.873.274
Term loans	2.481.152
Current accounts	645.577
Other	104.797
Loans & advances (credit margin on credit lines)	1.033.676
Derivatives	1.313.039
Other	106.786
TOTAAL	27.329.140

Carrying amount of financial assets pledged as collateral for	3.347.672
Liabilities	1.973.071
Contingent liabilities	1.374.601

Table IMP.8

For the rules applied regarding the accounting of impairments we refer to chapter 2.2.5 *Impairment*.

More details on collateral and guarantees received can be found in chapter 34 *Contingent Assets and Liabilities*.

16 Income Taxes

Through the changes to the corporate income tax approved by the Belgian Parliament in December 2017, including a limitation of the deduction possibilities, the taxable base did again result in a corporation tax owed. The total notional interest deduction (deduction for risk capital) of the current financial year, amounting to 0.2 million EUR, was used. A new calculation basis is provided in the modified corporate tax, resulting in a sharp decline in these deductions. It was nevertheless not possible to use (the last part of) the stock accrued from previous years up to and including 2011. The limitation of transferability means that the stock is no longer used and that the stock of transferable notional interest deduction is reduced to zero.

In 2018, there is no DRD deduction of the current year available, nor from previous fiscal years.

Significant elements of the tax estimate:

- Accounting result based on Belgian accounting rules (‘Belgian GAAP’): 48.6 million EUR
- Rejected expenses: 2.5 million EUR
- Taxed reserves movements: 11.7 million EUR
- Taxed depreciations: -0.5 million EUR
- DBI deduction: none
- Deduction for risk capital: 0.2 million EUR
- Imputation of transferable fiscal losses: 43.6 million EUR

Additional tax assessments were received following a tax audit for the years 2016 and 2017 (tax years 2015 and 2016). In this context, an additional estimate was booked for the 2018 tax year (tax year 2017). The total impact was 2.8 million EUR.

In its equity, AXA Bank Belgium has tax-free reserves amounting to 213.1 million EUR (unchanged compared with 2017), on which no deferred tax was calculated. If these reserves were paid out, these would be taxed. Provided the bank is a ‘going concern’, these reserves are required as part of the equity for the bank’s business operations, and there is no intention to pay these out.

Based on the budget exercise over a five-year time horizon of AXA Bank Belgium, with a margin concerning uncertainties in the assumptions used being considered, a deferred tax on the assets was included for a section of non-employed fiscal transferable losses (12.9 million EUR).

Reconciliation of statutory tax to effective tax 2018.12 in '000 EUR	Net amount	%
1. Tax expense using statutory rate	17.705	
1.1. Net profit before taxes	59.854	
1.2. Statutory tax rate		29,58%
2. Tax impact of rates in other jurisdictions	-291	
3. Tax impact of non taxable revenues	-94	
4. Tax impact of non tax deductible expenses	394	
5. Tax impact of utilisation of previously unrecognised tax losses	-3.113	
6. Tax impact on tax benefit not previously recognised in profit or loss	-49.026	
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates	1.869	
9. Tax impact from under or over provisions in prior periods	-4.910	
10. Other increase (decrease) in statutory tax charge	225	
11. Tax expense using effective rate	14.917	
11.1. Net profit before taxes	59.854	
11.2. Effective tax rate		24,92%

Table IT.1

Reconciliation of statutory tax to effective tax 2017.12 in '000 EUR	Netto bedrag	%
1. Tax expense using statutory rate	21.261	
1.1. Net profit before taxes	62.552	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	925	
3. Tax impact of non taxable revenues	-572	
4. Tax impact of non tax deductible expenses	654	
5. Tax impact of utilisation of previously unrecognised tax losses	-8.799	
6. Tax impact on tax benefit not previously recognised in profit or loss	-5.709	
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates	9.905	
9. Tax impact from under or over provisions in prior periods	284	
10. Other increase (decrease) in statutory tax charge	-922	
11. Tax expense using effective rate	21.115	
11.1. Net profit before taxes	62.552	
11.2. Effective tax rate		33,76%

Table IT.2

The tax claim recognised by AXA Bank Belgium includes taxable reserves and provisions as well as tax claims on temporary differences due to IFRS restatements and fiscally transferred losses. Regarding these temporary differences, the major part relates to fair value changes in the investment portfolio. It can be momentarily assumed that most of these securities will be held until maturity. Based on the budget analyses carried out by management, AXA Bank Belgium does not expect any issues regarding the recoverability of these claims.

In the following analysis of assets and deferred tax liabilities, no legal entity is distinguished.

A breakdown of the recoverability of the deferred tax assets appears below:

	31/12/2018	31/12/2018	31/12/2018
Analysis of deferred tax assets and liabilities	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	50.725	26.892	23.833
Invested financial assets	3.779	-12.395	-8.616
Pensions and other retirement benefits	10.934	-451	10.483
Employee benefits (other than Pensions)	2.255		2.255
Other provisions for risk and other charges	5.331		5.331
Tax losses	12.893		12.893
Other assets	268		268
Other liabilities	15.265	-14.046	1.219
Deferred taxes through revaluation reserve for financial assets at fair value through other comprehensive income	5.223	10.313	-5.090
Deferred taxes through cash flow hedge revaluation reserve			
Deferred taxes through profit and losss on defined benefit plans	6.481		6.481
Deferred taxes on reserves for income through Stock Option Plan		517	-517
Deferred taxes on reserves for fair value changes on own credit risk financial liabilities	2.873		2.873
Total deferred taxes	65.302	37.722	27.580

Table IT.3

	31/12/2017	31/12/2017	31/12/2017
Analysis of deferred tax assets and liabilities	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	111.527	81.358	30.169
Invested financial assets (including assets backing UL and excluding investments	64.310	-59.857	-22.756
Pensions and other retirement benefits	5.533	-550	4.982
Employee benefits (other than Pensions)	1.154		1.154
Other provisions for risk and other charges	4.539		4.539
Tax losses	23.431		23.431
Other assets			
Other liabilities	12.559	-20.951	-8.392
Deferred taxes through revaluation reserve for financial assets available for sale	3.592	19.474	-15.882
Deferred taxes through cash flow hedge revaluation reserve			0
Deferred taxes through profit and losss on defined benefit plans	6.460		6.460
Deferred taxes on reserves for income through Stock Option Plan		490	-490
Deferred taxes on reserves for fair value changes on own credit risk financial liabilities	6.408		6.408
Total deferred taxes	127.987	101.322	26.665

Table IT.4

Income tax expense current and deffered in '000' EUR	2018.12	2017.12
Current income tax expense, net	11.338	4.977
Deferred tax expense, net	3.578	16.138
Total	14.916	21.115

Table IT.5

__Deferred tax assets per expected date of utilization__

31/12/2018	*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	8.779	4.114	0	0	0	0	0	0	0	12.893
Other deferred tax assets	90	0	365	0	0	0	275	51.679	0	52.409
TOTAL DTA	**8.869**	**4.114**	**365**	**0**	**0**	**0**	**275**	**51.679**	**0**	**65.302**

Table IT.6

__Deferred tax assets per expected date of utilization__

31/12/2017	*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	16.647	6.784	0	0	0	0	0	0	0	23.431
Other deferred tax assets	98	233	0	0	20.314	8.152	13.220	62.539	0	104.556
TOTAL DTA	**16.745**	**7.017**	**0**	**0**	**20.314**	**8.152**	**13.220**	**62.539**	**0**	**127.987**

Table IT.7

__Deferred tax assets as on the last use date__

31/12/2018	*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	12.893	12.893
Other deferred tax assets	3	0	366	0	0	0	275	4.583	47.182	52.409
TOTAL DTA	**3**	**0**	**366**	**0**	**0**	**0**	**275**	**4.583**	**60.075**	**65.302**

Table IT.8

__Deferred tax assets as on the last use date__

31/12/2017	*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	23.431	23.431
Other deferred tax assets	11	2	0	0	0	0	64	3.528	100.951	104.556
TOTAL DTA	**11**	**2**	**0**	**0**	**0**	**0**	**64**	**3.528**	**124.382**	**127.987**

Table IT.9

Deferred tax liabilities per expected date of utilization

31/12/2018	*Deferred tax liability-expected date of utilization 1 year*	*Deferred tax liability-expected date of utilization 2 year*	*Deferred tax liability-expected date of utilization 3 year*	*Deferred tax liability-expected date of utilization 4 year*	*Deferred tax liability-expected date of utilization 5 year*	*Deferred tax liability-expected date of utilization 6 year*	*Deferred tax liability-expected date of utilization Between 7 and 11 years*	*Deferred tax liability-expected date of utilization > 11 years*	*Deferred tax liability-expected date of utilization No date determined*	*TOTAL*
Other deferred tax liabilities	200	3.253	4.045	688	19.863	774	0	8.382	517	37.722
TOTAL DTL	200	3.253	4.045	688	19.863	774	0	8.382	517	37.722

Table IT.10

Deferred tax liabilities per expected date of utilization

31/12/2017	*Deferred tax liability-expected date of utilization 1 year*	*Deferred tax liability-expected date of utilization 2 year*	*Deferred tax liability-expected date of utilization 3 year*	*Deferred tax liability-expected date of utilization 4 year*	*Deferred tax liability-expected date of utilization 5 year*	*Deferred tax liability-expected date of utilization 6 year*	*Deferred tax liability-expected date of utilization Between 7 and 11 years*	*Deferred tax liability-expected date of utilization > 11 years*	*Deferred tax liability-expected date of utilization No date determined*	*TOTAL*
Other deferred tax liabilities	125	1.186	6.081	7.026	27.233	1.789	1.034	56.359	490	101.323
TOTAL DTL	125	1.186	6.081	7.026	27.233	1.789	1.034	56.359	490	101.323

Table IT.11

Deferred tax liability as on the last use date

31/12/2018	*DTL last use date 1 year*	*DTL last use date 2 year*	*DTL last use date 3 year*	*DTL last use date 4 year*	*DTL last use date 5 year*	*DTL last use date 6 year*	*DTL last use date Between 7 and 11 years*	*DTL last use date > 11 years*	*DTL last use date No due date*	*TOTAL*
Other deferred tax liability	200	3.253	4.045	688	19.863	774	0	236	8.663	37.722
TOTAL DTL	200	3.253	4.045	688	19.863	774	0	236	8.663	37.722

Table IT.12

Deferred tax liability as on the last use date

31/12/2017	*DTL last use date 1 year*	*DTL last use date 2 year*	*DTL last use date 3 year*	*DTL last use date 4 year*	*DTL last use date 5 year*	*DTL last use date 6 year*	*DTL last use date Between 7 and 11 years*	*DTL last use date > 11 years*	*DTL last use date No due date*	*TOTAL*
Other deferred tax liability	125	1.186	6.081	7.026	27.233	1.789	1.034	1.046	55.803	101.323
TOTAL DTL	125	1.186	6.081	7.026	27.233	1.789	1.034	1.046	55.803	101.323

Table IT.13

17 Cash and Balances with Central Banks

	2018.12 en '000 EUR	2017.12 en '000 EUR
Components of cash and cash equivalents		
On hand (cash)	68.170	58.960
Cash and balances with central banks	329.210	526.735
Loans and receivables	N/A	11.568
Available for sale assets	N/A	
Financial assets at amortised cost	6.473	N/A
Financial assets at fair value through other comprehensive income		N/A
TOTAL	403.853	597.263

Table CBCB.1

18 Financial Assets Held for Trading

Counterparty breakdown Carrying value in '000 EUR	2018.12	2017.12
Derivatives held for trading	773.579	1.245.487
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by	197	1.804
Central governments		
Credit institutions	197	1.797
Non credit institutions		6
Corporate		
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	773.776	1.247.291

Table FATRA.1

19 Financial Assets Measured at Fair Value through Profit or Loss

AXA Bank Belgium has classified no financial assets (not held for trading) as at fair value through value adjustments in profit or loss in 2017 and 2018.

In addition, AXA Bank Belgium had no financial assets in 2018 (not held for trading) required based on IFRS 9 rules to be included at fair value through value adjustments in profit or loss.

20 Financial Assets at Fair Value through OCI

A bond is measured at fair value through OCI if it fulfils the following conditions and it is not designated as at fair value through profit or loss:

- the financial assets are held within a business model whose objective is to hold financial assets in order both to collect contractual cash flows and to sell the financial assets (‘hold to collect and sell’)
- the contractual terms of the assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

This measurement category is used by AXA Bank Belgium for the part of the bonds portfolio held for liquidity purposes, balance sheet management and optimisation of the risk-return relationship.

At first recognition of a share that is not held for trading purposes, AXA Bank may irrevocably decide to measure the shares at fair value through OCI (except for dividends which remain in profit or loss). This decision is made instrument by instrument. AXA Bank Belgium has made use of this possibility for its entire shares portfolio because measuring it at fair value through profit or loss would not be the correct measurement method for a strategic and non-trading position. The composition follows below:

Description	Fair Value 2018.12 in '000 EUR
Motor Finance Company	2.889
BERAN	2.537
Contère	1
Payconiq	6.500
SWIFT	60
Privatrust	25
Europay	23
VISA	907
Banking Funding Company	2
NCR Corporation	50
TOTAL	12.994

Table FAAVS.3

Counterparty breakdown 2018.12 in '000 EUR	Stage 1		Stage 2		Stage 3			
	Gross carrying amount	< Impairment >	Gross carrying amount	< Impairment >	Gross carrying amount	< Impairment >	Total net carrying amount	Total write offs
Equity							13.113	
Quoted							50	
Unquoted but FV determinable							950	
Equity instruments at cost							12.113	
Debt instruments issued by	2.306.184						2.306.184	
Central governments	1.814.302						1.814.302	
Credit institutions	491.882						491.882	
Non credit institutions								
Corporate								
Loans & advances to								
Central governments								
Credit institutions								
Non credit institutions								
Corporate								
Retail								
Accrued income (if accounted for separately)								
TOTAL	2.306.184						2.319.296	

Table FAAVS.1

Counterparty breakdown 2017.12 in '000 EUR	*Fair value of unimpaired assets*	*Fair value of impaired assets*	*Total net carrying amount*	*< Impairment >*
Equity	7.755	23	7.778	11
Quoted	71		71	
Unquoted but FV determinable	978		978	
Equity instruments at cost	6.707	23	6.730	11
Debt instruments issued by	2.944.492		2.944.492	
Central governments	2.408.063		2.408.063	
Credit institutions	536.429		536.429	
Non credit institutions				
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	2.952.247	23	2.952.270	11

Table FAAVS.2

21 Financial Assets at Amortised Cost

Counterparty breakdown 2018.12 in '000 EUR	Stage 1		Stage 2		Stage 3				
	Gross carrying amount	< Impairment >	Gross carrying amount	< Impairment >	Gross carrying amount	< Impairment >	Net carrying amount	Average net carrying amount	Total write offs
Debts instruments issued by	176.254						176.254	173.860	
Central governments	176.254						176.254	173.860	
Credit institutions									
Non credit institutions									
Corporate									
Loans and receivables to	20.918.835	-4.840	1.486.152	-12.088	317.457	-64.451	22.641.066	22.640.675	-34.546
Central governments	655	-1	8				662	440	
Credit institutions	863.516	-55					863.461	1.454.883	
Non credit institutions	1.437.352	-398	37.082	-787	11.639	-3.517	1.481.371	1.479.661	-250
Corporate	962.427	-915	93.006	-1.498	27.925	-10.048	1.070.897	1.031.445	-3.935
Retail	17.654.885	-3.471	1.356.056	-9.803	277.893	-50.886	19.224.675	18.674.247	-30.361
Accrued income (if accounted for separately)									
TOTAL	21.095.089	-4.840	1.486.152	-12.088	317.457	-64.451	22.817.320	22.814.535	-34.546

Table LR.1

Counterparty breakdown 2017.12 in '000 EUR	*Unimpaired assets*	*Impaired assets (total carrying amount)*	*of which forbearance measurements*	*< Allowances for individually assessed financial assets >*	*< Allowances for collectively assessed financial assets >*	*Total net carrying amount*	*Average net carrying amount*
Debts instruments issued by							
Central governments							
Credit institutions							
Non credit institutions							
Corporate							
Loans and receivables to	21.676.445	333.061	243.743	-63.522	-24.421	21.921.564	21.678.714
Central governments	384					384	446
Credit institutions	1.417.049					1.417.049	1.581.867
Non credit institutions	1.546.183	9.944	14.780	-1.727		1.554.400	1.532.795
Corporate	953.557	28.888	13.631	-11.662	-146	970.636	931.330
Retail	17.759.273	294.230	215.332	-50.133	-24.275	17.979.095	17.632.276
Accrued income (if accounted for separately)							
TOTAL	21.676.445	333.061	243.743	-63.522	-24.421	21.921.564	21.678.714

Table LR.2

Loans and receivables with maturity > 1 year: 18.8 million EUR (2018) and 17.2 million EUR (2017).

Loans and receivables (excluding credit institutions) 2018.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		960.031		
Consumer Credit		3.632	6.527	767.903
Mortgage loans	336	77.086	1.106	18.084.633
Term loans	326	332.936	1.045.917	254.332
Current accounts	0	4.076	17.347	53.963
Other		103.611		63.843
TOTAL	662	1.481.372	1.070.897	19.224.674

Table LR.3

Loans and receivables (excluding credit institutions) 2017.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		1.015.494		
Consumer Credit		4.003	4.371	792.896
Mortgage loans	371	68.722	982	16.803.198
Term loans	12	313.472	948.965	243.185
Current accounts	1	2.906	16.317	85.573
Other		149.802		54.243
TOTAL	384	1.554.400	970.636	17.979.095

Table LR.4

22 Derivatives

Derivatives include swaps, futures, forwards and options. The value of these contracts is calculated according to the case, based on the closing price, interest-rate level, exchange rate, rate of the underlying assets, implicit or historical volatility, expected dividends or the correlation between the different underlying instruments.

Within the scope of its banking activities, AXA Bank Belgium uses the following derived financial instruments, classified based on the IFRS categories:

Fair Value Hedge

1. Macro Hedging of a Part of the Fixed-rate Mortgages Portfolio with Interest Rate Swaps

   AXA Bank Belgium uses interest-rate swaps to hedge the fair value fluctuations of the fixed-rate mortgages portfolio due to the evolution of the interest rate. AXA Bank Belgium thus hedges the interest-rate risk between mortgages (long-term interest rate) and their financing (short-term interest rate). The hedged risk is defined as the risk-free rate (such as Eonia, 1-month Euribor, 3-months Euribor or 6-months Euribor) influencing the fair value of the mortgage loans. This constitutes the largest part of the total fair value fluctuation. The other non-hedged risks are amongst others the solvency, the liquidity and the value of the collateral.

   AXA Bank Belgium has therefore set up a fair value hedge model for a part of the fixed-rate mortgages portfolio. This model was first applied on 1 April 2015 but was adjusted in July 2009 to refine the modelling of the instrument hedged, and thus to enhance the efficiency of the hedge relationship. The part of the fixed-rate mortgages portfolio under the fair value hedge model leads to a hedge ratio of the notional amount of the hedging swaps and the notional amount of the mortgage loans.

   The efficiency of the hedge relationship is periodically examined using prospective and retrospective tests. If the model is efficient, the fluctuation of the fair value of the instrument hedged, namely the section of the fixed-rate mortgages portfolio included in the fair value hedge documentation, is included in the result, just like the fluctuation of the fair value of the derivatives concerned.

   Based on this check, an overhedge of a nominal amount of 72 million EUR has been observed at the end of 2016. Therefore, interest rate swaps have been closed early. The impact of this was taken one shot in profit or loss in 2016. An additional series of swaps with a notional amount of 2,725 million EUR was closed early between the end of 2016 and the end of 2018. All these proactively early-closed swaps have been replaced by swaps at new market conditions to keep the interest rate position movements of AXA Bank Belgium limited.

   The part of the outstanding hedging reserve related to these swaps (30.5 million EUR) is amortised in the income statement until the initial maturity date of the closed swaps or until the establishment of a possible new additional overhedge, because the swaps continue to be part of the hedge construction. The negative impact for 2018 is 6.7 million EUR.

   AXA Bank Belgium has also continued to monitor the hedging of mortgage loans in 2018, with the conclusion that no potential new overhedge is expected, even when the proactively early-closed swaps are included in the test.

2. Micro Hedge of Fixed-rate Securities with Interest Swaps

   Certain fixed-rate securities of AXA Bank Belgium’s investment portfolio are individually hedged using an interest swap to compensate the fair value changes of the securities resulting from interest rate changes. Only the interest rate risk is hedged, being usually the largest part of the total fair value changes. The other non-hedged risks are amongst others credit spreads and liquidity. In the event the efficiency of this fair value hedge can be demonstrated, the value fluctuation of the instrument hedged resulting from the evolution of the interest rate of the fixed-rate security is included in the result.

3. Macro Hedging of a Part of the Floating-rate Mortgages Portfolio with Interest Rate Caps

   AXA Bank Belgium has purchased interest rate caps on the market to hedge the margin of the floating-rate mortgages portfolio. This is because the mortgage loans include a cap of the interest rate for the customer on the repricing dates, creating an interest rate risk for AXA Bank Belgium between the floating-rate mortgage loans and the funding. AXA Bank Belgium hedges the risk of the fair value fluctuations of the caps in the mortgages that could be performed depending on the importance of the increase in the Euribor interest rate. This hedge occurs in the form of a dynamic portfolio hedge, whereby the mortgage loans and the interest rate caps are placed in structured buckets by (a) the month of revision of the interest rate and (b) the strike price by 10 basis points. Only (a part) of the repricing risk is hedged. This usually forms the largest part of the total fair value change. The other risks are not hedged. The hedge ratio forms for each bucket the relation between the notional amount of the mortgage loans and the notional amount of the interest rate caps in the same bucket. This model is regularly analysed in order, if necessary, to add new hedge instruments to it, and considering the new allocation of mortgage loans or to early-close caps, fully or partially, when an overhedge occurs in an individual hedge bucket. A regression analysis on a quarterly basis provides an efficiency test of the model. This model has been applied since July 2010.

   The hedged risk is defined as the risk-free rate (such as Eonia, 1-month Euribor, 3-months Euribor or 6-months Euribor) influencing the fair value of the mortgage loans. This constitutes the largest part of the total fair value fluctuation. The other risks are not hedged.

4. Micro Hedging of the Covered Bonds Issued by AXA Bank Europe SCF with Interest Rate Swaps

   The covered bonds issued by AXA Bank Europe SCF are hedged by interest rate swaps to hedge the fair value changes resulting from interest rate movements. The individual hedge ratio corresponds to the relation between the notional amount of the interest rate swap and the notional amount of the hedged security. These swaps are part of micro fair value hedges. A regression analysis on a quarterly basis provides an efficiency test of the model. During the efficient periods, the fair value fluctuation of the covered bonds is entered in the result in accordance with the hedge of the interest risk.

5. Micro Hedging of the Financing Received from the European Central Bank (TLTRO – Targeted Long-term Refinancing Operation) with Interest Rate Swaps

   The financing received from the European Central Bank after the tender is hedged by interest rate swaps to hedge the fair value changes resulting from interest rate movements. The individual hedge ratio corresponds to the relation between the notional amount of the interest rate swap and the notional amount of the hedged security. If the efficiency of the fair value hedge can be demonstrated, the fair value change of the hedged instrument resulting from the interest rate evolution of the fixed-rate securities can be recognised in profit or loss.

Cash Flow Hedge

AXA Bank Belgium currently does not make use of cash flow hedges.

Fair Value Option

The EMTNs issued by AXA Belgium Finance are classified as fair value option because they contain embedded derivatives for which the economic features and risks are different from the host contract.

Freestanding Derivatives

1. Macro Hedge Transactions
   Within the scope of the additional hedge of the mortgages portfolio, and specifically mortgages with floating interest rate adjusted every five years, swaptions are used as macro hedge of the risk in the interest caps that are part of the mortgages involved.

   This category furthermore consists of old interest caps for which no hedge model was developed.

2. Trading Activity
   The trading portfolio, primarily resulting from AXA Bank Belgium's intermediation activity for the benefit of the insurance companies of the AXA group, consists of interest swaps, total return swaps, currency swaps of exchange-term contracts, swaptions and index options.

Sources of Ineffectiveness

1. Macro Hedging of a Part of the Fixed-rate Mortgages Portfolio with Interest Rate Swaps

Inaccuracy of the Model

The hedged part in this model is part of the fixed-rate mortgage loans portfolio equal to the volume of swaps documented as hedging instruments.
This part of the total portfolio is modelled as a series of bi-weekly time periods with a nominal amount equal to the volume of swaps that are active at the end of the period with an interest rate corresponding to the weighted average interest rates of the same volume of swaps that are active at the end of the period.
Consequently, the theoretical cash flows of the modelled hedged instrument do not correspond exactly to the cash flows from the fixed leg of the swap portfolio, nor in terms of amount or timing, so that changes in fair value could occur.

Floating Leg of the Interest Rate Swaps

The current leg of the interest rate swaps are not replicated in the modelled hedged instrument, which therefore creates inefficiency because the fair value change of the hedged instrument is influenced, without neutralisation taking place due to an equivalent fair value effect of the hedged instrument.

Measurement Method

The interest rate swaps portfolio is measured based on the dual-curve valuation method (the OIS update) based on the specific characteristics of the individual CSAs that AXA Bank Belgium has with its counterparties. That may contain certain details such as a guarantee in a specific currency, which will affect the valuation levels and also fluctuates. On the other hand, the hedged instrument is measured based on a Libor based methodology.
The difference in valuation method creates a variance in fair value fluctuations and consequently leads to inefficiency.

Start Values of Mortgage Loans

Although new swaps that are added to the model have a nil value at the start (because they are traded on market terms) that is not the case for the corresponding mortgage loans portfolio.
Accordingly, that starting value is depreciated based on the swap due dates to ensure no accounting reserve is left after the swap due dates.
Some ineffectiveness is created since there isn't necessarily any link with the periodic fair value fluctuations.

Difference between the Expected and Actual Percentages in Mortgage Loan Repayments

The modelling of the hedged instrument at the beginning of each period (for example, a quarter) is based on the expected percentage of mortgage loan repayments. This ensures that the hedged rate by hedged instrument can be calculated to the maturity of the swap portfolio.

The final percentage of mortgage loan repayments is determined in the implementation of the model. The difference with the expected percentage of mortgage loan repayments changes the initial documented hedging rate, resulting in a deviation (if all other elements remain unchanged) between the fair value change of the hedging instruments and the fair value change of the hedged instruments, and can therefore lead to some ineffectiveness.

Hedge Accounting Reserve Compared to the Previous Model

The model of macro fair value hedges of the mortgage loans portfolio with fixed interest was discontinued in 2009 because AXA Bank Belgium decided to review it to increase efficiency. As a result, the hedge accounting reserve was written off based on an allocation of swaps that were active at the time the model was discontinued.
The periodic depreciation may, however, deviate from the difference between the fair value change of the hedged instrument and the hedging instrument (if all other elements remain unchanged).

2. Micro Hedge of Fixed-rate Securities with Interest Swaps

Floating Leg of the Interest Rate Swaps

The current leg of the interest rate swaps is not replicated in the modelled hedged instrument, which therefore creates inefficiency because the fair value change of the hedged instrument is influenced, without neutralistion taking place due to an equivalent fair value effect of the hedged instrument.

Measurement Method

The interest rate swaps portfolio is measured based on the dual-curve valuation method (the OIS update) based on the specific characteristics of the individual CSAs that AXA Bank Belgium has with its counterparties. That may contain certain details such as a guarantee in a specific currency, which will affect the measurement levels and also fluctuates. On the other hand, the hedged instrument is valued based on a single-curve based methodology.
The difference in valuation method creates a variance in fair value fluctuations and consequently leads to inefficiency.

3. Macro Hedging of a Part of the Floating-rate Mortgages Portfolio with Interest Rate Caps

Difference between the Expected and Actual Percentages in Mortgage Loan Repayments

The modelling of the hedged instrument at the beginning of each period (for example, a quarter) is based on the expected percentage of mortgage loan repayments. This ensures that the hedged rate by hedged instrument can be calculated to the maturity of the swap portfolio.

The final percentage of mortgage loan repayments is determined in the implementation of the model. The difference with the expected percentage of mortgage loan repayments changes the initial documented hedging rate, resulting in a deviation (if all other elements remain unchanged) between the fair value change of the hedging instruments and the fair value change of the hedged instruments, and can therefore lead to some ineffectiveness.

Measurement Method

The interest rate swap portfolio is measured based on the dual-curve valuation method (the OIS update) based on the specific characteristics of the individual CSAs that AXA Bank Belgium has with its counterparties. That may contain certain details such as a guarantee in a specific currency, which will affect the measurement levels and also fluctuates. On the other hand, the hedged instrument is measured based on a single-curve based methodology.
The difference in measruement method creates a variance in fair value changes and consequently leads to inefficiency.

4. Micro Hedging of the Covered Bonds Issued by AXA Bank Europe SCF with Interest Rate Swaps

Floating Leg of the Interest Rate Swaps

The current leg of the interest rate swaps is not replicated in the modelled hedged instrument, which therefore creates inefficiency because the fair value change of the hedged instrument is influenced, without neutralisation taking place due to an equivalent fair value effect of the hedged instrument.

Measurement Method

The interest rate swap portfolio is measured based on the dual-curve valuation method (the OIS update) based on the specific characteristics of the individual CSAs that AXA Bank Belgium has with its counterparties. That may contain certain details such as a guarantee in a specific currency, which will affect the valuation levels and also fluctuates. On the other hand, the hedged instrument is measured based on a single-curve based methodology.
The difference in measurement method creates a variance in fair value changes and consequently leads to inefficiency.

5. Micro Hedging of the Financing Received from the European Central Bank (TLTRO – Targeted Long-term Refinancing Operation) with Interest Rate Swaps

Floating Leg of the Interest Rate Swaps

The current leg of the interest rate swaps is not replicated in the modelled hedged instrument, which therefore creates inefficiency because the fair value change of the hedged instrument is influenced, without neutralisation taking place due to an equivalent fair value effect of the hedged instrument.

Measurement Method

The interest rate swap portfolio is valued based on the dual-curve valuation method (the OIS update) based on the specific characteristics of the individual CSAs that AXA Bank Belgium has with its counterparties. That may contain certain details such as a guarantee in a specific currency, which will affect the measurement levels and also fluctuates. On the other hand, the hedged instrument is measured based on a single-curve based methodology.
The difference in measurement method creates a variance in fair value changes and consequently leads to inefficiency.

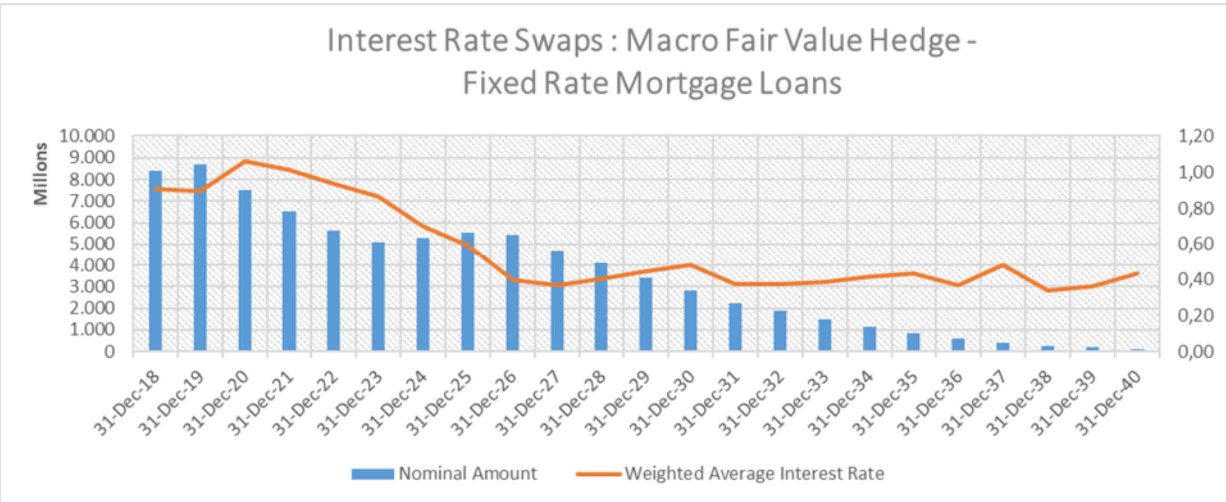
Evolution in Nominal Amount and Average Price of the Hedging Instrument

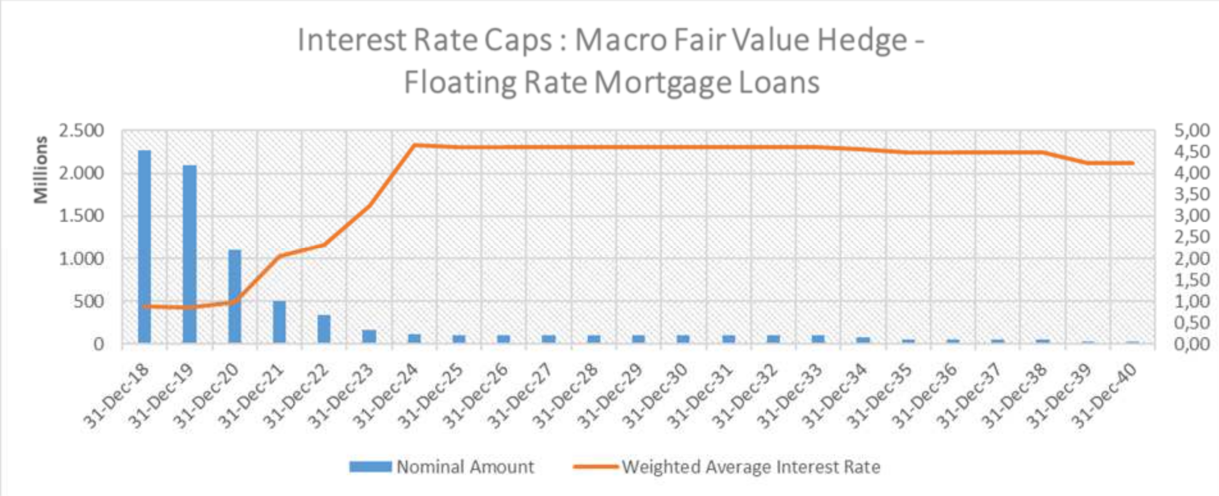
The following charts provide a picture of how the AXA Bank Belgium hedging operations can affect the amount, timing and uncertainty of the future cash flows of the hedged instruments. For the four main hedging types:

- macro hedge of a part of the home loans portfolio with fixed interest rate with interest rate swaps
- macro hedge of a part of the residential loans portfolio with variable interest rate with interest rate caps
- micro hedge of the 'covered bonds' issued by AXA Bank Europe SCF with interest rate swaps
- micro hedge of the funding received from the European Central Bank (TLTRO – Targeted Long Term Refinancing Operation) with interest rate swaps

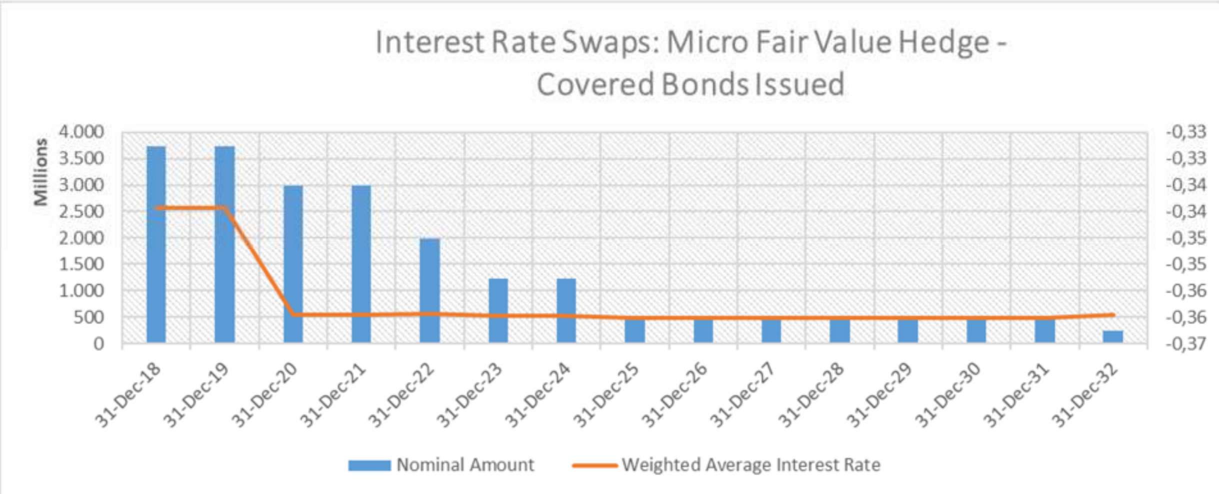
the nominal amounts of the hedging instruments from now until 2040 are shown on a time line.

The same charts also show the weighted average interest rate of the hedging instruments over the same period.

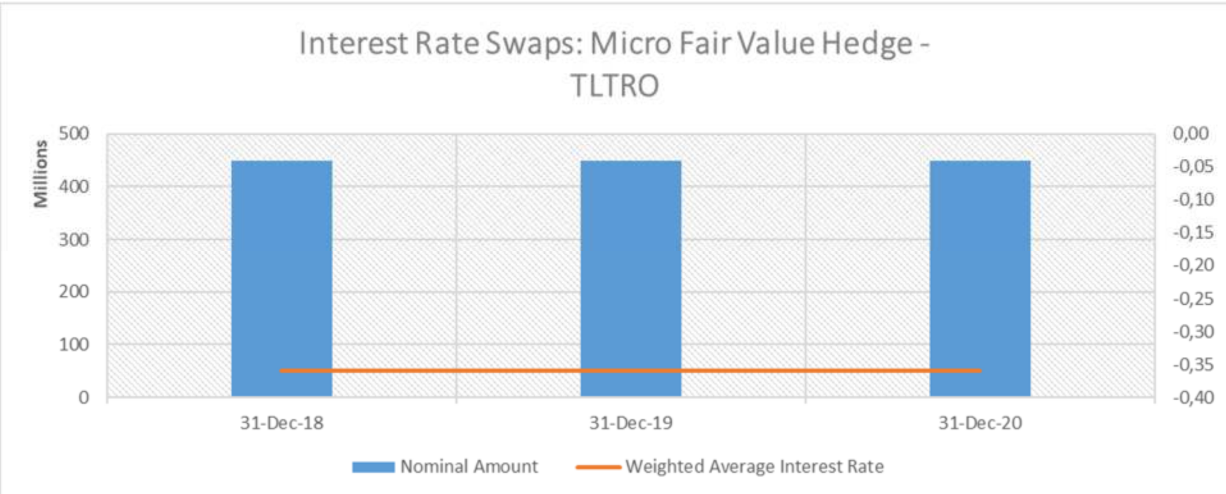




Interest Rate Caps : Macro Fair Value Hedge - Floating Rate Mortgage Loans
Millions
2.500
2.000
1.500
1.000
500
0
5,00
4,50
4,00
3,50
3,00
2,50
2,00
1,50
1,00
0,50
0,00
31-Dec-18
31-Dec-19
31-Dec-20
31-Dec-21
31-Dec-22
31-Dec-23
31-Dec-24
31-Dec-25
31-Dec-26
31-Dec-27
31-Dec-28
31-Dec-29
31-Dec-30
31-Dec-31
31-Dec-32
31-Dec-33
31-Dec-34
31-Dec-35
31-Dec-36
31-Dec-37
31-Dec-38
31-Dec-39
31-Dec-40
Nominal Amount
Weighted Average Interest Rate



Interest Rate Swaps: Micro Fair Value Hedge - Covered Bonds Issued
Millions
4.000
3.500
3.000
2.500
2.000
1.500
1.000
500
0
-0,33
-0,33
-0,34
-0,34
-0,35
-0,35
-0,36
-0,36
-0,37
31-Dec-18
31-Dec-19
31-Dec-20
31-Dec-21
31-Dec-22
31-Dec-23
31-Dec-24
31-Dec-25
31-Dec-26
31-Dec-27
31-Dec-28
31-Dec-29
31-Dec-30
31-Dec-31
31-Dec-32
Nominal Amount
Weighted Average Interest Rate



Interest Rate Swaps: Micro Fair Value Hedge - TLTRO
Millions
500
400
300
200
100
0
0,00
-0,05
-0,10
-0,15
-0,20
-0,25
-0,30
-0,35
-0,40
31-Dec-18
31-Dec-19
31-Dec-20
Nominal Amount
Weighted Average Interest Rate

Derivatives – Held for Trading Purposes

By nature	By type 2018.12 in '000 EUR	*Notional amount*	*Carrying amount* Assets	*Carrying amount* *Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	9.776.841	301.201	29.862
	IRS	77.639.719	287.055	219.319
	FRA			
	Forward			
	Interest future	658.801		
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	7.199.505	109.975	17.448
Currency (FX)	FX forward	3.524.497	75.326	76.522
	FX future			
	Cross currency swap	228.437	22	10.243
	FX option			
	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		99.027.800	773.579	353.394

Table DHA.1

By nature	By type 2017.12 in '000 EUR	Notional amount	Carrying amount Assets	Carrying amount Liabilities
Interest rate	Option / Cap / Floor / Collar / Swaption	7.972.687	282.479	23.360
	IRS	65.921.507	830.636	755.688
	FRA			
	Forward			
	Interest future	1.358.135		
	Other	430.510		
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	6.847.022	118.303	17.699
Currency (FX)	FX forward	1.912.128	13.651	13.133
	FX future			
	Cross currency swap	272.085	419	14.617
	FX option			
	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		84.714.075	1.245.487	824.497

Tabel DHA.2

Derivatives – Hedging Activities (Micro Hedging)

By type of risk	By instrument 2018.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	15.004	29.248	6.252.500
	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		15.004	29.248	6.252.500
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS			
	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			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
FULL Cash flow hedge	Forward Sale debt security			
TOTAL				
Hedges of a net investment in a foreign operation				
TOTAL		15.004	29.248	6.252.500

Table DHA.3

By type of risk	By instrument 2017.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	63.460	41.954	5.582.500
	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		63.460	41.954	5.582.500
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS			
	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				
FULL Cash flow hedge	Forward Sale debt security			
TOTAL				
Hedges of a net investment in a				
TOTAL		63.460	41.954	5.582.500

Table DHA.4

Derivatives - Hedging Activities (Macro Hedging)

Hedging of interest rate portfolio 2018.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges	2.580	39.252	13.251.683
Cash flow hedges			

Table DHA.5

Hedging of interest rate portfolio 2017.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges	4.091	245.953	11.506.408
Cash flow hedges			

Table DHA.6

Overview Derivatives by Type of Risk

By type of risk	By instrument 2018.12 in '000 EUR	*Carrying amount*	*Hedge adjustments included in the carrying amount of assets/liabilities*	*Remaining adjustments for discontinued micro hedges*
Assets				
Financial assets measured at fair value through other comprehensive income		**2.306.184**	-40.014	-681
Interest rate	Option / Cap / Floor / Collar / Swaption	2.306.184		
Equity instruments	Equity forward			
Currency (FX)	FX forward			
Credit	Credit default swap			
Commodity				
Other				
Financial assets measured at amortised cost		**176.254**	56.547	
Interest rate	Option / Cap / Floor / Collar / Swaption	176.254		
Equity instruments	Equity forward			
Currency (FX)	FX forward			
Credit	Credit default swap			
Commodity				
Other				
Liabilities				
Financial assets measured at amortised cost		**4.020.459**	59.121	
Interest rate	Option / Cap / Floor / Collar / Swaption	4.020.459		
Equity instruments	Equity forward			
Currency (FX)	FX forward			
Credit	Credit default swap			
Commodity				
Other				

Table DHA.7

See also chapter 33 *Offsetting*.

23 Property, Plant and Equipment

PPE measured after recognition using the revaluation model 2018.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	37.415	0	251	349	38.015
Additions	1.341		34	1	1.377
Acquisition through business combinations					
Disposals					
Disposals through business combinations					
Depreciation	-2.017		-34	-43	-2.095
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers					
To and from non-current assets held for sale					
To and from investment property					
Other changes					
Ending balance	36.739		251	307	37.297
Amortization financial year	2.017		34	43	2.095
Amortization previous year	30.501	2.133	2.084	584	35.302
Cumulated Amortization	32.518	2.133	2.117	628	37.396

Table PPE.1

PPE measured after recognition using the revaluation model 2017.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	38.976	57	279	503	39.815
Additions	365		5	13	383
Acquisition through business combinations					
Disposals		-9		-114	-123
Disposals through business combinations					
Depreciation	-1.926	-47	-33	-53	-2.058
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers					
To and from non-current assets held for sale					
To and from investment property					
Other changes		-1			-1
Ending balance	37.415	0	251	349	38.015
Amortization financial year	1.926	47	33	53	2.058
Amortization previous year	28.575	2.086	2.051	532	33.244
Cumulated Amortization	30.501	2.133	2.084	584	35.302

Table PPE.2

24 Intangible Fixed Assets

Currently there is no goodwill recognised in the consolidation scope of AXA Bank Belgium.

AXA Bank Belgium launched an IT investment programme by the name of SWITCH in 2015. In April 2016, in consultation with AXA Group, AXA Bank Belgium decided to transform the initial big-bang project approach into a multi-annual roadmap of different independent projects (Atlas, Loan Origination and Credit Scoring) with the same final objective of a radically simplified bank (architecture and retail business systems and processes) with lower costs structurally. The various projects contribute toward achieving a digital omni-channel platform for supporting the customer journey strategy.

The project costs associated with this for the year 2018 are a combination of costs related to project management, study phase and development phase. Based on the IFRS rules, an amount of 5.0 million EUR was capitalised in 2018 (Atlas 0.1 million EUR – Loan Origination Consumer Loans 1.8 million EUR – Credit Scoring 0.1 million EUR – Loan Origination Mortgages 1.3 million EUR – GPS 1.7 million EUR) and of which 1.2 million EUR was depreciated.

The capitalised project costs related to Sophis Upgrade V7 were completely depreciated end 2018 for an amount of 1.2 million EUR.

Other intangible assets accounted for by using the revaluation model 2018.12 in '000 EUR	Goodwill	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance		10.808	1.026			11.834
Additions from internal development		4.943	567			5.510
Additions from separate acquisition						
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax						
Amortization recognized		-3.790	-297			-4.087
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						
Other movements						
Ending balance		11.961	1.296			13.257
Amortization financial year		3.790	297			4.087
Amortization previous year		18.280	3.313		7	21.600
Cumulated Amortization		22.070	3.610		7	25.687

Table IFA.1

Other intangible assets accounted for by using the revaluation model 2017.12 in '000 EUR	Goodwill	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance		8.515		22		8.537
Additions from internal development		5.071	1.087			6.158
Additions from separate acquisition						
Adjustments from business combinations						
Retirement & disposals		-174		-22		-196
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		-2.466	-197			-2.663
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						
Other movements		-138	136			-2
Ending balance		10.808	1.026			11.834
Amortization financial year		2.466	197			2.663
Amortization previous year		15.814	3.116		7	18.937
Cumulated Amortization		18.280	3.313		7	21.600

Table IFA.2

25 Investments in Subsidiaries, Joint Ventures and Associates

AXA Bank Belgium has the following limited number of subsidiaries:

- AXA Belgium Finance bv (NL), Griekenweg 213 - 4835 NA Breda (Netherlands)
- AXA Bank Europe SCF (Société de Crédit Foncier), rue Carnot 203/205 - 94138 Fontenay-sous-Bois (France)
- Motor Finance Company NV, Grotesteenweg 214 - 2600 Berchem (Belgium)
- Beran NV, Grotesteenweg 214 - 2600 Berchem (Belgium).

AXA Belgium Finance bv and AXA Bank Europe SCF are part of the AXA Bank Belgium consolidation scope.

AXA Belgium Finance bv is a Dutch private company that issues debt instruments (EMTNs – 'European Medium Term Notes') on the Luxembourg securities market. The debt instruments are mainly placed with European investors. The net cash flows of the debt instruments are on-lent to AXA Bank Belgium through bonds issued by the latter.

AXA Bank Europe SCF is a French specialised credit company that refinances mortgage loans through the issue of covered bonds (‘obligations foncières’). Until the end of November 2017, this was done by subscription to AAA tranches of RMBS ('residential mortgage-backed securities') issued by the SPV Royal Street (RS-2 and RS-3 compartments) (see below). Due to a change in French law concerning covered bonds, AXA Bank Europe SCF has purchased mortgage loans directly from AXA Bank Belgium in early December 2017. Yield maintenance swaps between AXA Bank Belgium and AXA Bank Europe SCF ensure that the weighted average yield of the mortgage loans will go to AXA Bank Belgium in exchange for a floating interest rate. All such transactions are carried out at normal market conditions ('at arm’s length').

Motor Finance Company NV and Beran NV are not included in the consolidation scope of AXA Bank Belgium due to their immaterial nature.

Motor Finance Company NV is the vehicle in which the investments are housed in self-banking devices that are rented out to agents.

Beran NV owns the property located in Berchem, Grote Steenweg 214 (location of AXA Bank Belgium).

AXA Bank Belgium also owns a participation of 10% in the SPV ('Special Purpose Vehicle') Royal Street NV, a debt investment company (VBS) under Belgian law. Royal Street, through its RS-1 compartment, owns mortgage loans which was bought from AXA Bank Belgium. RS-1 has funded this purchase through the issuance of a series of RMBS (senior, mezzanine and junior). A fair presentation of the consolidated position requires Royal Street to be included in the consolidation scope based on IFRS 10 – *Consolidated Financial Statements*. The interest rate risk remains that of AXA Bank Belgium given the mutual exchange of the interest flows through a total return swap. The credit risk also remains on AXA Bank Belgium's balance sheet since the junior tranches of RMBS issued by Royal Street, and in case of default on loans, will be the first to be badly affected.

At the end of November 2017, the existing Royal Street RS-2 and RS-3 compartments were terminated. Due to a change in French law concerning covered bonds, AXA Bank Europe SCF has purchased mortgage loans from AXA Bank Belgium directly in early December 2017, instead of indirectly through subscription to AAA tranches of RMBS issued by SPV Royal Street (RS-2 and RS-3 compartments).

AXA Bank Belgium has granted a subordinated loan to the SPV, for operational support. The outstanding amount at the end of 2018 is 4.9 million EUR. The funds of these subordinated loans were used to build up a reserve fund in the SPV, that to date has never been accessed.

In addition, AXA Bank Belgium owns a 20% participation in Bancontact Mister Cash. In addition to AXA Bank Belgium, 4 other banks also each own 20% in this company. The object of the company is managing and licensing of intellectual property rights which may or may not relate to card payment schemes and all the other associated operations. For every 20% of the shares, every shareholder is entitled to 1 director, and the Board of Directors shall deliberate with a 4/5 majority. Due to low materiality, this company wasn't included in the consolidation.

In June 2018, Payconiq Belgium NV and Bancontact Company NV merged in the new company PQB. AXA Bank Belgium has contributed its 20% participation in Bancontact Company NV into PQB in exchange for a participation of 10% in PQB. This has resulted in a realized capital gain of EUR 4.5 million in the income statement. Bancontact Company NV disappears and PQB is included as an associate in the consolidation scope of AXA Bank Belgium.

There were no changes in the consolidation scope during the year 2018.

Summarised financial information of subsidiaries and joint ventures	Entity 2018.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Accounted for by using full consolidation :					
	AXA Belgium Finance bv (NL)	100,00%	1.356.671	1.354.156	424	31/12/2017
	SPV Royal Street	10,00%	631.876	625.851		31/12/2017
	AXA BANK Europe SCF	100,00%	6.882.591	6.743.620	12.203	31/12/2017
	Entity 2018.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Not accounted for by using full consolidation :					
	Beran N.V.	100,00%	2.000	1	-10	31/12/2017
	Motor Finance Company N.V.	100,00%	8.274	3.220	511	31/12/2017
	Payconiq Belgium N.V.	10,00%	N/A	N/A	N/A	24/05/2017

Tabel IASJ.1

Summarised financial information of subsidiaries and joint ventures	Entity 2017.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Accounted for by using full consolidation :					
	AXA Belgium Finance bv (NL)	100,00%	1.491.508	1.485.617	606	31/12/2016
	SPV Royal Street	10,00%	5.792.142	5.785.612		31/12/2016
	AXA BANK Europe SCF	100,00%	4.828.003	4.701.236	14.844	31/12/2016
	Entity 2017.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Not accounted for by using full consolidation :					
	Beran N.V.	100,00%	2.023	13	-16	31/12/2016
	Motor Finance Company N.V.	100,00%	10.444	6.151	505	31/12/2016
	Bancontact-Mister Cash (voorheen Brand & Licence Cy)	20,00%	8.860	3.371	-575	31/12/2016

Tabel IASJ.2

26 Other Assets

Carrying amount in '000 EUR	2018.12	2017.12
Employee benefits	109.703	94.565
Servicing assets for servicing rights		
Prepaid charges	26	1.360
Accrued income (other than interest income from financial assets)	22.069	6.789
Precious metals, goods and commodities		
Other advances	23	33
Other	3.766	4.040
TOTAL	135.587	106.786

Table OA.1

27 Financial Liabilities Held for Trading

Counterparty breakdown Carrying amount	2018.12	2017.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	353.394	824.497
Short positions		99
In equity instruments		
In fixed income instruments		99
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	353.394	824.596

Table FLTRA.1

28 Financial Liabilities Designated at Fair Value through Profit or Loss

Debt certificates include EMTNs (European Medium-term Notes). These EMTNs are issued by AXA Belgium Finance, a subsidiary of AXA Bank Belgium, with the exception of one issue directly by the bank itself. AXA Bank Belgium has opted for valuation at fair value through profit or loss and has therefore included these issues in the balance sheet at their market value. As from the year 2017 the changes in the own credit risk (DVA, debit value adjustment) are included in other comprehensive income (OCI). For the impact: see chapter 3.1 *Change in the Accounting Policies*.

AXA Bank Belgium has chosen to measure its own credit risk based on EMTN according to the spread AXA Bank Belgium pays in the primary market since much larger volumes are traded on the primary than on the secondary market. That is why they offer a more adequate assessment of the credit risk of AXA Bank Belgium on the retail market. This spread corresponds more precisely to the continuous weighted average of the spreads established on the hedge transactions during the last six months. This method calculates the difference between the margin's level that AXA Bank Belgium applies to the issues for private investors on the date of issue and the same level on the reporting date. This difference is used to determine the theoretic cash flow at the date of each coupon, corresponding with the value fluctuations due to the changes in credit risk. They are then discounted to determine the credit risk ratio for each issue.

Because no issue took place since December 2017 and consequently, the calculation described above was not possible, AXA Bank Belgium decided to use the average of regular quotations of three banks (Crédit Agricole, Deutsche Bank and ING) from June 2018 as calculation base as a measurement of its credit risk. The initial spread of each issue was consequently adjusted.

This fair value amounted to a total of 1.2 billion EUR with a nominal amount of 1.1 billion EUR on 31 December 2018.

The changes to the debit value adjustments (DVA) amounted to -12.2 million on 31 December 2018. This appears in the Consolidated Balance Sheet – Equity on the line 'Changes in fair value of financial liabilities at fair value through profit or loss following changes in the credit risk'.

An amount of 0.7 million EUR in OCI covers the EMTNs sold during the year.

As at 31 December 2018, no accumulated unrealized profit or loss was transferred to another equity category.

Counterparty breakdown 2018.12 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)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1.215.175	12.180	-129.778
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.215.175	12.180	-129.778
Convertible			
Non-convertible	1.215.175	12.180	-129.778
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**1.215.175**	**12.180**	**-129.778**

Table FLFVPL.1

Counterparty breakdown 2017.12 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)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1.348.872	25.633	-165.006
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.348.872	25.633	-165.006
Convertible			
Non-convertible	1.348.872	25.633	-165.006
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
<u>TOTAL</u>	**1.348.872**	**25.633**	**-165.006**

Table FLFVPL.2

The amounts in the column 'Difference between the carrying amount and amount contractually required to pay at maturity' have been adapted for the financial year 2017.

29 Financial Liabilities Measured at Amortised Cost

29.1 Deposits

Counterparty breakdown 2018.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions			2.023		2.023
Current accounts / overnight deposits			2.023		2.023
Deposits with agreed maturity					
Deposits redeemable at notice					
Other deposits					
Deposits (other than from credit institutions)	629.929	365.249	1.165.480	16.026.933	18.187.591
Current accounts / overnight deposits	27.349	269.801	921.666	2.088.886	3.307.702
Deposits with agreed maturity	601.365	21.444	36.121	1.201.262	1.860.193
Deposits redeemable at notice					
Other deposits	1.215	74.004	207.693	12.736.785	13.019.696
Special deposits					
Regulated deposits	1.215	54.813	102.036	12.735.938	12.894.002
Mortgages related deposits					
Other deposits		19.191	105.657	847	125.694
Deposit guarantee system					
Debt certificates (including bonds)					4.848.349
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					26.793
Convertible					
Non-convertible					26.793
Other					4.821.556
Subordinated liabilities					26.794
Other financial liabilities					830.446
Accrued expenses (if accounted for separately)					
TOTAL	**629.929**	**365.249**	**1.165.480**	**16.026.933**	**23.895.202**

Table FLAC.1

Counterparty breakdown 2017.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions			2.821		2.821
Current accounts / overnight deposits			2.821		2.821
Deposits with agreed maturity					
Deposits redeemable at notice					
Other deposits					
Deposits (other than from credit institutions)	632.684	400.745	1.132.534	15.707.796	17.873.758
Current accounts / overnight deposits	28.104	269.289	878.308	2.071.393	3.247.094
Deposits with agreed maturity	603.753	27.411	43.123	1.425.051	2.099.338
Deposits redeemable at notice					
Other deposits	827	104.045	211.103	12.211.352	12.527.327
Special deposits					
Regulated deposits	827	54.147	99.724	12.210.104	12.364.802
Mortgages related deposits					
Other deposits		49.898	111.380	1.248	162.525
Deposit guarantee system					
Debt certificates (including bonds)					4.253.792
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					44.059
Convertible					
Non-convertible					44.059
Other					4.209.733
Subordinated liabilities					39.245
Other financial liabilities					782.019
Accrued expenses (if accounted for separately)					
TOTAL	**632.684,27**	**400.744,69**	**1.132.533,75**	**15.707.795,62**	**22.951.636**

Table FLAC.2

29.2Subordinated Liabilities

Maturity date 2018.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		4.744		
Current year +2		3.505		
Current year +3		2.912		
Current year +4				
Current year +5				
Current year +6				
Current year +7				
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		15.633		
TOTAL		26.794		

Table FLAC.3

Maturity date 2017.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		12.756		
Current year +2		4.129		
Current year +3		3.505		
Current year +4		2.912		
Current year +5				
Current year +6				
Current year +7				
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		15.943		
TOTAL		39.245		

Table FLAC.4

29.3 TLTRO-loans

AXA Bank Belgium has an outstanding amount of 600 million EUR in TLTRO loans at the end of 2018. The TLTROs are Eurosystem operations that provide financing to credit institutions for periods of up to 4 years. They offer long-term funding at attractive conditions to banks to further ease private sector credit conditions and stimulate bank lending to the real economy. The benefit of the below-market interest rate is accrued in the income statement over the life of the TLTRO-II. The outstanding TLTRO-I loans have been fully repaid.

30 Repos and Reverse Repos

As at the end of 2018, AXA Bank Belgium had no outstanding amounts in repos.

Transferor : Liabilities (financing obtained) 2018.12 in '000 EUR	*Total*
Repo	
Credit institutions	
Other than credit institutions	
Total	

Table RRR.3

Transferor : Liabilities (financing obtained) 2017.12 in '000 EUR	*Total*
Repo	
Credit institutions	
Other than credit institutions	486.026
Total	486.026

Table RRR.4

Transferee : Assets (financing granted) 2018.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions	
Other than credit institutions	960.031
Total	960.031

Table RRR.5

Transferee : Assets (financing granted) 2017.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions	
Other than credit institutions	1.015.494
Total	1.015.494

Table RRR.6

Repos and reverse repos are recognised for the paid amounts and received amounts, respectively.

See also chapter 33 *Offsetting*.

31 Provisions

2018.12 in '000 EUR	Restructuring	Provisions for Tax litigation and pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Other provisions	TOTAL
Closing balance (previous year)		38.721	149.981	9.832	14.268	212.804
Impact IFRS 9				1.271		1.271
Opening balance (current year)		38.721	149.981	11.103	14.268	214.073
Additions		4.547	25.267	1.246	5.200	36.259
Amounts used		-638	-4.628	-2.245	-2.890	-10.401
Unused amounts reversed during the period		-19.831				-19.831
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements			14.163		-490	13.674
Closing balance		22.799	184.784	10.103	16.088	233.774

Table PROV.1

2017.12 in '000 EUR	Restructuring	Provisions for Tax litigation and pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Other provisions	TOTAL
Opening balance		39.559	165.180	9.854	18.575	233.169
Additions		722	1.063	0	3.543	5.328
Amounts used		-1.560	-7.916	-23	-8.291	-17.789
Unused amounts reversed during the period						
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements			-8.346		441	-7.904
Closing balance		38.721	149.981	9.832	14.268	212.804

Table PROV.2

Clarifications regarding the major components of these provisions at AXA Bank Belgium appear below.

Provisions for Tax Disputes

This section includes features in the context of a possible additional taxation on income years 1991 and 1992. This risk was estimated at 19.8 million EUR and hedged by a provision for the same amount. However, since November 2018, the risk of this potential assessment has passed, so the supply of 19.8 million EUR at the end of 2018 was taken back.

In this context, the bank was also sued for compensation by some customers, and provision was likewise included. Some of these customers' claims will be before the court in May and September 2019.

Ongoing Legal Disputes

The main element of this section is the provision for litigation concerning agents and former agents. It mainly concerns disputes due to cases of fraud. It mainly concerns disputes about cooperation or its termination, as well as disputes arising as a result of fraud cases. In 2018, a number of new disputes have occurred with limited risk.

Estimates vary as to the period of settlement of these disputes that are heterogenous and unpredictable at times.

Pension Obligations and Other Benefits under Pension Obligations

The majority here relates to the provision under IAS 19. For more details and information, please refer to chapter 13.2 *Pension Liabilities and Other Benefits*.

During the 2018 tax year, new provisions were established for an amount of EUR 1.7 million concerning departure arrangements that currently exist at AXA Bank Belgium, and a reduction in the provision for 3.8 million. Consequently, these provisions amounted to EUR 2.8 million on 31 December 2018. They were mainly included in the CLA of 7 May 2007, and in its renewal of 25 November 2009 and in the CLA of 16 March 2011.

In addition, a new provision in view of a new departure scheme was decided at the end of 2018, amounting to EUR 21.0 million on 31 December 2018.

Another new provision was made at the end of 2018 to cover regularization costs of transitional measures in the conversion of the ex-Anhyp pension plan to the new pension plan for all workers who were transferred to AXA Bank Belgium from 2000. This provision amounts to EUR 3.2 million on 31 December 2018.

Other Provisions

The column ‘Other provisions’ includes mainly the provision for closure of the Hungarian branch (8.5 million EUR). In addition, category contains a provision for the planned consolidation of the agent network to an amount of EUR 4.1 million, and various small HR-related and other provisions.

32 Other Liabilities

Carrying amount in '000 EUR	2018.12	2017.12
Employee benefits	12.007	12.459
Social security charges	6.561	3.043
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	1.778	1.969
Income received in advance	1.554	1.464
Other debts	13.759	26.210
TOTAL	35.658	45.144

Table OL.1

33 Offsetting

Offsetting in the Balance Sheet

IAS 32 – *Financial Instruments - Presentation* requires the presentation of financial assets and financial liabilities on a net basis when doing so reflects an entity's expected future cash flows from settling two or more separate financial instruments.
A financial asset and a financial liability shall be offset, and the net amount presented in the balance sheet when, and only when, AXA Bank Belgium

(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

To meet the criterion (a), AXA Bank Belgium must currently have a legally enforceable right of set-off. This means that the right of set-off:

(a) must not be contingent on a future event; and
(b) must be legally enforceable in all the following circumstances:

(i) the normal course of business;
(ii) the event of default; and
(iii) the event of insolvency or bankruptcy of the entity and all the counterparties.

To meet criterion (b), AXA Bank Belgium must intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. Although AXA Bank Belgium may have a right to settle net, it may still realise the asset and settle the liability separately.
AXA Bank Belgium clears the positions on its OTC interest rate swaps daily with several intermediary banks:

- LCH Clearnet CM CSI (Credit Suisse)
- LCH Clearnet CM HSBC Bank Plc (HSBC)
- AXA LIFE EUROPE LTD (France FoS VA)
- AXA LIFE EUROPE LTD (GERMANY branch)
- AXA LIFE EUROPE LTD (MEDLA branch)
- AXA LIFE EUROPE LTD (UK FoS VA Bus)
- AXA LIFE EUROPE LTD (JAPAN)

For each of the clearing members, the amounts cleared include:

- interest payments on the swap and all other payments (upfront fees, premiums, early termination amounts, …)
- variation margin evolutions, covering the changes in the positive/negative net value of all traded derivatives through the intermediary bank.

The clearing is performed separately for each currency. The calculation is made at the end of day, and the difference versus the previous day is settled net in one single cash payment on the following day, for each currency.
The netting of the derivatives position is legally enforceable and is not contingent on a future event, therefore meeting the IFRS requirements.
The amounts that have been netted in the balance sheet can be found in the first three figures columns in the tables below.

Repos and reverse repos are currently not subject to offsetting as they are currently not part of master netting agreements that allow for offsetting in all circumstances.

Offsetting in the Disclosures

IAS 32 requires that, in other circumstances than mentioned above, financial assets and financial liabilities should be presented separately from each other consistently with their characteristics as resources or obligations of the entity. Financial instrument transactions under a 'master netting arrangement' with a counterparty that only provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract do not provide a basis for offsetting unless both criteria above are satisfied.
At AXA Bank Belgium, all transactions under master netting agreements not mentioned above are reported gross.

Furthermore, IFRS 7 – *Financial Instruments - Disclosures* requires disclosure of the following quantitative information:

- the amounts subject to an enforceable master netting agreement or similar agreement that are not offset, including
    - amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria of IAS 32
    - amounts related to financial collateral (including cash collateral); and
- the net amount after deducting these amounts from the net amounts presented in the financial position.

AXA Bank Belgium simulates this potential netting based on the following criteria:

- netting by counterparty
- of all repos, reverse repos derivatives and the related collaterals
- for derivatives: separately for hedging and trading positions
- collateral: initial and variation margin

The amounts of this potential netting can be found in the other figure columns in the tables below.

Financial assets – offsetting

				Amounts from master netting agreements not set off		
Carrying amounts in '000 EUR 2018.12	Gross amounts before offsetting	Amounts set off against financial liabilities	Net amounts after offsetting	Financial instruments	Financial guarantees	Net position
Derivatives - trading	4.096.415	3.322.836	773.579	222.292	538.693	12.593
Derivatives - hedging	106.335	88.751	17.584	5.215	12.245	124
Reverse Repos	960.031	0	960.031	960.031	0	0
Total	5.162.781	3.411.587	1.751.194	1.187.538	550.938	12.717

Table OFFS.1

Financial liabilities - offsetting

				Amounts from master netting agreements not set off		
Carrying amounts in '000 EUR 2018.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Financial instruments	Financial guarantees	Net position
Derivatives - trading	3.986.709	3.633.315	353.394	175.416	169.284	8.694
Derivatives - hedging	585.776	517.275	68.500	33.004	32.813	2.684
Repos	0	0	0	0	0	0
Total	4.572.485	4.150.590	421.895	208.419	202.097	11.378

Table OFFS.2

Financial assets – offsetting

Carrying amounts in '000 EUR 2017.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
Derivatives - trading	3.840.364	2.594.876	1.245.487	837.845	384.415	23.227
Derivatives - hedging	113.626	46.074	67.552	46.212	20.850	490
Reverse Repos	1.015.494	0	1.015.494	1.015.226	0	268
Total	4.969.484	2.640.950	2.328.533	1.899.283	405.265	23.985

Table OFFS.3

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2017.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
Derivatives - trading	1.246.204	421.706	824.497	328.404	466.576	29.518
Derivatives - hedging	543.574	255.667	287.907	144.363	140.849	2.695
Repos	486.026	0	486.026	484.515	1.511	0
Total	2.275.804	677.373	1.598.430	957.282	608.936	32.213

Table OFFS.4

34 Contingent Assets and Liabilities

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2018.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.240.418	
Credit-replacing security	1.231.362	21.274.262
Collateral concerning repos, reverse repos and derivatives	1.565.694	2.782.623
Other obligations	1.467.906	2.112.484

Tableau CAL.1

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2017.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.033.676	
Credit-replacing security	1.354.375	23.526.320
Collateral concerning repos, reverse repos and derivatives	3.772.354	3.473.821
Other obligations	2.029.615	2.049.034

Tableau CAL.2

2018.12 en '000 EUR	*Non PERFORMING*		
	Gross carrying amount	*Loss allowances*	*Maximum amount of the collateral or guarantee that can be considered*
Loans & advances			
Central governments			
Credit institutions			
Non credit institutions	11.639	-3.517	6.738
Corporate	27.925	-10.047	17.366
Retail	277.893	-48.959	208.372
TOTAL	317.457	-62.523	232.476

Table CAL.3

2017.12 in '000 EUR	*Non PERFORMING*		
	Gross carrying amount	*Loss allowances*	*Maximum amount of the collateral or guarantee that can be considered*
Loans & advances			
Central governments			
Credit institutions			
Non credit institutions	9.944	-1.727	7.517
Corporate	28.888	-11.808	17.080
Retail	294.212	-67.566	208.493
TOTAL	333.044	-81.101	233.090

Table CAL.4

Information regarding the most important lines:

The line 'Non-included section of the credit lines' contains the margin available on the credit lines involved. A credit line involved is the fixed liability for granting a credit line. The liability applies as fixed if it cannot be revoked at any moment with immediate effect.

The line 'Credit-replacing security' contains the securities received on loans and the securities provided relating to liabilities due to borrowing or due to deferred payment.

Given collateral on loans include the liabilities of the bank to retail clients. The risk is very limited because of diversification of the portfolio and mainly the fact that the granted loans are guaranteed by the clients.

Received collateral on loans are related to mortgage loans, consumer loans and professional loans.

Mortgage loans must be fully guaranteed by a mortgage (recording or mandate) on real property (full property). Property guarantees are required by law. The mortgage guarantees that must be provided can be reused in the context of potential subsequent mortgage loans. All guarantees complementing mortgage guarantees must be provided before registering the loan. This also applies to additional collateral securities. A mortgage mandate is usually drawn up for both the property to be purchased and the property to be sold in the case of a bridge loan.
For consumer loans only one type of guarantee is used: transfer of debt collection or act of relinquishment of wages and other income.

For more information on the quality of the guarantees: see chapter 4.2.1.1.2 *Risk Mitigation Techniques*. The AXA Bank Belgium standards on obtaining guarantees and the quality of the guarantees have not changed materially compared to the previous reporting period.

For professional loans the most important guarantees are the following:

- Fair guarantees
    - Mortgage and mortgage registration
    - Authentic pledging of business
    - Subrogation to the benefit of the seller of movable property
    - Securities collateral
    - Pledging of account balance
    - Transfer of all 'traditional life insurance' rights
    - Transfer of all insurance policy rights Branch 21 and 23
    - Transfer of salary

- Personal or moral guarantees
    - Security
    - Mortgage mandate
    - Irrevocable commitment by a third party

For more information on the quality of the guarantees: see chapter 4.2.2.2.2 Trading Room Counterparty Credit Risk. The AXA Bank Belgium standards on obtaining guarantees and the quality of the guarantees have not changed materially compared to the previous reporting period.

Valuation of these guarantees:

- Mortgage and mortgage registration: valuation in function of
    - The appraisal value of the property based on a valuation report or updated valuation by a professional (such as a real estate expert, a notary or a broker), a recent purchase, based on knowledge of the property by the point of sale, etc.
    - The rank of the subscription
    - The voidability of the subscription because of a suspicious period in view of a bankruptcy
    - Note: mortgage mandates are not booked

- Business asset pledge: valuation in function of
    - The importance and the marketability of the fixed asset
    - The size and distribution of receivables
    - The size of the inventory of non-perishable raw materials or finished products
    - The value of the rental property
    - Privileges of higher rank (lessor, equipment)
    - Transferability as a 'going concern'
    - The rank of the subscription

  - The voidability of the subscription because of a suspicious period in view of a bankruptcy
  - The assessment of the administrator or liquidator

- Substitution in the privilege of the seller of movable property (including transfer of debts and transfer of pay): valuation in function of
  - The creditworthiness of the assigned debtor
  - Whether or not the character of the transferred claim is disputed

- Pledging of account balances: appreciation to 100% of the deposit

- Transfer of insurance policy rights: appreciation at 0%

- Personal or moral guarantees: valuation in function of the proven solvency of the security deposit (especially its real estate assets) or its determination to honour the commitment through a respected serious debt reduction plan.

The line 'Collateral concerning repos, reverse repos and derivatives' contains the assets provided and received by the bank within the scope of its 'repo-reverse repo' and derivatives activities, depending on the fluctuation of the market value of the transactions.

In the framework of the 'Global Master Repurchase Agreement' (GMRA), AXA Bank Belgium only accepts government bonds. Since August 2007 however, AXA Bank Belgium has concluded one GMRA with AXA IM in which she also accepted non-governmental paper, provided it qualifies as collateral by the ECB. Currently there are no open positions in this GMRA.

In the repo activity, a distinction can be made between 2 types of collateral:

- the collateral received when concluding a new deal, mostly Belgian (and sometimes French) government bonds.

- the collateral required during the term of the deals according to the fluctuation of the market value of the initially provided collateral. This additional collateral is mostly settled in cash (at Eonia interest rate) but sometimes in Belgian or French government bonds.

In derivatives activities, the general rule applies that collateral is systematically requested. Only cash (at Eonia interest rate) and Belgian, German, Italian, French, Swiss and UK government bonds with a residual term of minimum 1 year and maximum 10 years will be considered for this collateral.

All collateral received can be sold or reused by AXA Bank Belgium as collateral.
AXA Bank Belgium is obliged to return this collateral.

The line 'Other obligations' contains all other obligations received and provided.

Encumbered Assets

Certain assets have been encumbered : securities given in repo, bonds given as collateral to the European Central Bank (ECB) for obtaining financing and bonds given as collateral to the Belgian tax authorities.

35 Equity

For figures see ‘Consolidated balance sheet– equity’

The paid-in capital amounts to 636.3 million EUR and consists of 461,133,591 shares without making a reference to the nominal value. It was paid up in full.

The other capital equity instruments issued consist of Contingency Convertible Bonds.

The reserves from other comprehensive income include the reserves from the foreign currency translation, the revaluation of the available-for-sale financial assets, the revaluation of the cash flow hedges and the reserves for pension liabilities (non-realised results and actuarial gains and losses on defined benefit plans), and since 2017 the evolutions of the own credit risk (DVA) on financial liabilities designated at fair value through profit or loss.

The ‘other reserves’ section comprises the legal reserves and the transferred results from the AXA Bank Belgium parent company and the consolidation reserves resulting from the first IFRS inclusion into this latter and all consolidation reserves for the subsidiaries.

36 Profit Allocation and Dividends per Share

At the end of 2018, a special general meeting of AXA Bank Belgium adopted a resolution to pay an interim dividend of EUR 50 million of retained earnings at the end of 2017, to the parent company AXA SA.

The Board of Directors proposes to transfer to next year the remaining profit of the year together with the retained earnings, after mandatory allocation to the legal reserve.

37 Segmented Information

Operating segments are components of AXA Bank Belgium

- that engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Management Committee of AXA Bank Belgium to make decisions about resources to be allocated to the segments and assess their performance, and;
- for which discrete financial information is available.

The Management Committee of AXA Bank Belgium is considered to be the chief operating decision maker as defined under IFRS 8 – *Operating Segments*.

The following operating segments are reported separately based on the guidelines of IFRS 8:

- Retail banking (including Treasury and ALM);
- Intermediation activities.

The retail banking activity consists mainly of collecting funding (daily operations, savings products) and providing loans to its customers (households, professionals and small businesses) through its network of independent agents. The reported figures include the related ALM results (Assets and Liabilities Management), whose main purpose is to manage the exposure of AXA Bank Belgium to interest rate, liquidity and foreign exchange risks. The treasury activity consists of providing short term liquidity and funding as a support for the growth of the retail business.

The intermediation activities consist mainly of providing funding, cash management and derivatives for several AXA Group entities.

Transactions between the different operating segments are carried out on an arm's length basis.
The following principles are applied:

- allocation of ALM results: in addition to the commercial margin, AXA Bank Belgium may grant a conversion margin for its retail activities. The parameters used for determining said grant are economic capital together with assets and liabilities of the retail activities;
- funds transfer pricing: the management of cash resources and ALM within AXA Bank Belgium is centralised. With a view to transferring the interest rate risk of the commercial activities to the centralised ALM, the funds transfer pricing methodology is used. This means that deposits that are provided for safekeeping by the commercial business units are reinvested at the central ALM and that the loans allocated by the commercial business units are financed by the central ALM while using the funds transfer pricing interest rate.

The reconciliations between the total of the operating segments and the group result are mainly:

- differences in mapping between the segment reporting and the consolidated income statement;
- elements not included in operating income in the segment reporting;
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Belgium rules).

Segment Reporting – Income Statement

2018 in '000 EUR	Retail banking (including Treasury and ALM)	Intermediaton	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	289.664	12.489	18.162	320.315
Operating expenses	-215.644	-11.076	-14.200	-240.920
Impairments	6.025	0	-25.567	-19.542
Taxes	2.188	330	-17.435	-14.916
Underlying earnings	82.233	1.743	-39.039	44.937
Discontinued Operations				0
Net income				44.937

Table SI.1

2017 in '000 EUR	Retail banking (including Treasury and ALM)	Intermediaton	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	286.245	12.585	3.557	302.387
Operating expenses	-221.456	-9.652	4.118	-226.990
Impairments	-500		-12.345	-12.845
Taxes	-12.656	-1.499	-6.960	-21.115
Underlying earnings	51.633	1.434	-13.763	41.437
Discontinued Operations				0
Net income				41.437

Table SI.2

Major items reported in the column ‘Reconciliation’:

a) Interest margin

- difference in classification between the segment reporting and the consolidated income statement (2018: 12.3 million EUR). This is mainly related to a different classification of the recoveries on amortised loans (11.7 million EUR). In 2017 these classification differences amounted to 11.3 million EUR.
- elements not included in underlying earnings in the segment reporting (2018: 4.4 million EUR – 2017: -8.7 million EUR), mainly forex results (impact in 2018: 1.6 million EUR, no impact in 2017) and fair value measurements (impact in 2018: 2.8 million EUR / impact in 2017: -8.7 million EUR))

b) Operating expenses:

- difference in classification between the segment reporting and the consolidated income statement (2018: 12.2 million EUR). This is mainly related to a different classification of the provision for the consolidation of the agency network (4.1 million EUR – see chapter 31 Provisions) and the write-back of the provision for tax litigations (-19.8 million EUR – see chapter 31 Provisions). In 2017 only some minor differences in classification occurred for an amount of 0.7 million EUR.
- certain expenses that are not included in operating income in the segment reporting (2018: -25.5 million EUR – 2017: 1.0 million EUR), mainly restructuring costs.

c) Impairment:

- differences in classification between the segment reporting and the consolidated income statement (2018: -24.5 million EUR). See above for explanation of differences in classification in the interest margin (12.3 million EUR) and the operating expenses (12.2 million EUR). In 2017 the difference in classification amounted to -12.1 million EUR – see also above points for more explanation.

d) Taxes:

- elements not included in underlying earnings in the segment reporting (2018: 4.6 million EUR – 2017: -8.4 million EUR, tax effects on the elements not included in underlying earnings)
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Belgium rules) related to the correction of the deferred taxes as reported in the 2017 Consolidated Financial Statements of AXA Bank Belgium (amount -20.5 million EUR) and that in AXA Group figures were only included in 2018.

38 Related-party Transactions

Amounts to be paid and to be received from related parties 2018.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets	10.954	1.112		886	1.568.902
Shares					
Bonds					
Loans	10.954	1.112		886	1.568.902
Selected financial liabilities		229		1.666	476.972
Deposits		229		1.666	81.838
Issued securities					395.134
Notional amount of granted credit lines, financial guarantees and other guarantees		5.244			
Received credit lines, financial guarantees and other guarantees					
Notional amount of derivatives					44.567.406
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.1

Expenses and income resulting from transactions with related parties 2018.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received					1.011.567
Interest paid					1.088.285
Dividends received					
Commission received	10.954				13.179
Commission paid					3.733
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.2

Amounts to be paid and to be received from related parties 2017.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets		2.662		380	2.086.494
Shares					
Bonds					
Loans		2.662		380	2.086.494
Selected financial liabilities		178		316	1.124.918
Deposits		178		316	79.253
Issued securities					1.045.665
Notional amount of granted credit lines, financial guarantees and other guarantees		6.744			
Received credit lines, financial guarantees and other guarantees					
Notional amount of derivatives					37.735.150
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.3

Expenses and income resulting from transactions with related parties 2017.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received	158				685.590
Interest paid					678.473
Dividends received					
Commission received					11.350
Commission paid					3.761
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.4

The following entities and persons are considered to be related parties to AXA Bank Belgium:

- AXA SA as parent company of AXA Bank Belgium;
- the subsidiaries of AXA Bank Belgium, even those that are not included in the consolidation scope (see chapter 25 *Investments in Subsidiaries, Joint Ventures and Associates*)
- key management personnel of AXA Bank Belgium
  As employees of AXA Bank Belgium, the key management personnel benefit from the same employee benefits as other employees, without any extras. Discounts on AXA products (banking and insurance) and other client benefits offered by external companies are accessible to each employee on the intranet and are therefore also available to key management personnel. Consequently, no separate database regarding these persons is kept by AXA Bank Belgium.

Key management Compensations in '000 EUR	**2018.12**	**2017.12**
Short-term employee benefits	2.621	2.298
Post-employment benefits		653
Other long-term benefits	290	223
Share based payments	188	236
TOTAL	**3.099**	**3.410**

Tabel RPT.5

- other related parties, including fellow subsidiaries that are part of the AXA SA consolidation scope.

The related parties of AXA Bank Belgium do not include any parent company with joint control nor entities with significant influence over AXA Bank Belgium.

All related party transactions are executed on an arm's length basis.

The internal transfers to the agents network have been formally documented through an agreement. The resulting impact is, however, not material for the bank.

39 Government Grants and Assistance

AXA Bank Belgium 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).

Following the tax shift, the parameters for the calculation of the (basic) reduction amount were thoroughly changed since 1 January 2018. For the largest group of workers and employees, the flat-rate reduction and the additional reduction for high wages disappeared from the profit sector.

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The amounts thus established totalled approximately 10,000 and 145,000 EUR.

40 Financial Relationships with Auditors

Carrying amount in '000 EUR	2018.12	2017.12
	PWC	PWC
Remuneration of the auditors	466	426
Remuneration for exceptional activities or special commissions performed within the company by the auditors		
Other audit activities	139	137
Advisory activities		
Other activities outside audit activities		252
Remuneration of persons with wich the auditors are connected to the excercise of a mandate on the level of the group of which the company that publishes the information at the head	25	19
Remunaration for exceptional or special commissions performed within the company by persins associated with the auditors		
Other audit activities		
Taks advice		
Other activities outsiede audit activities		

Table FRWA.1

Notification in application of art. 133 paragraph 6 of the Companies Code

41 Discontinued Operations

In 2018 no activities were reported as discontinued based on IFRS 5 *Non-current Assets and Disposal Groups Held for Sale*.

At the end of November 2017, the existing Royal Street RS-2 and RS-3 compartments were terminated. The formal liquidation of these compartments was completed in the first quarter of 2018.

For the ex-Anhyp pension system that existed since 1 July 1983, the financing vehicle was a pension fund until 31 December 2017. The financial assets of the Fund were realized by the end of 2017. The transfer of the active members to a group insurance at AXA Belgium took place at the beginning 2018.

42 Events After the Balance Sheet Date

There have been no other material events after the balance sheet date that would require adjustments to the 2018 IFRS Consolidated Financial Statements of AXA Bank Belgium.

Glossary

A. Overview of the IFRS Classifications of Financial Instruments

Financial Assets

Financial Assets at Fair Value through Profit or Loss Held for Trading: are financial assets that are acquired primarily for selling them in the short term or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking.

Financial Assets Designated at Fair Value through Profit or Loss: are financial assets irrevocably designated at first recognition to be measured at fair value through profit or loss because this classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases.

Financial Assets Measured at Fair Value through Other Comprehensive Income (OCI): are financial assets that fulfil the following conditions and which are not designated at fair value through profit or loss:

- the financial assets are held within a business model whose objective is to hold financial assets in order both to collect contractual cash flows and to sell the financial assets ('hold to collect and sell')
- the contractual terms of the assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Amortised Cost: are financial assets that fulfil the following conditions, and which are not designated at fair value through profit or loss:

- the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows ('hold to collect')
- the contractual terms of the assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Liabilities

Financial Liabilities at Fair Value through Profit or Loss Held for Trading: are financial liabilities that are incurred primarily for repurchasing them in the short term or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking.

Financial Liabilities Designated at Fair Value through Profit or Loss: are financial liabilities designated to be measured at fair value through profit or loss. This choice is possible (1) provided that this classification leads to more relevant information because it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases, or (2) if it leads to more relevant information because a group of financial assets or liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or (3) if it concerns structured financial assets or obligations in which there is no close relationship between the economic characteristics and risks of the derivative embedded in the contract and the economic characteristics and risks of the host contract.

Financial liabilities at Amortised Cost: all non-derivative financial liabilities not covered by any of the previous categories.

B. List of Abbreviations Used

ABS	Asset Backed Securities
ALCO	Assets & Liabilities Committee
ALM	Assets & Liabilities Management
BCBS	Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
CET1	Core Equity Tier 1
COREP	Corporate Reporting
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Value Adjustment
CX	Contentieux
DBI	Definitief Belaste Inkomsten
DBO	Defined Benefit Obligation
DVA	Debit Value Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
EMTN	European Medium Term Notes
Eonia	Euro Overnight Index Average
GMRA	Global Master Repurchase Agreement
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IPC	Irrevocable Payment Commitments
IRB	Internal Ratings Based
IRBA	Internal Ratings Based Approach
ISDA	International Swaps and Derivatives Association
JST	Joint Supervisory Team
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MBS	Mortgage Backed Security
NBB	National Bank of Belgium
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OLO	Obligation Linéaire – Lineaire Obligatie
O-SII	Other Systematically Important Institution
PCX	Précontentieux
PD	Probability of Default
PIIGS	Portugal, Ireland, Italy, Greece, Spain
RAF	Risk Appetite Framework
RAROC	Risk Adjusted Return on Capital
RMBS	Retail Mortgage Backed Security
SA	Standardised Approach
SCF	Société de Crédit Foncier
SI	Significant Institution
SRB	Single Resolution Board
SPV	Special Purpose Vehicle
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
TLTRO	Targeted Long Term Refinancing Operation
VAR	Value at Risk
WRC	Wholesale Risk Committee

Board of Directors
Jef Van In, chairman
Peter Devlies
Jeroen Ghysel
Marie-Cécile Plessix
Patrick Lemoine
Emmanuel Vercoustre
Patrick Keusters (*)
Philippe Rucheton (*)
Frank Goossens
Benoît Claveranne
Michael Jonker (*) (since 29 January 2018)
Peter Philippaerts (since 29 January 2018)
Pieter Desmedt (since 28 February 2018)

Françoise Gilles (until 31 December 2018)

Management Committee
Peter Devlies, chairman
Jeroen Ghysel
Emmanuel Vercoustre
Frank Goossens
Peter Philippaerts (since 29 January 2018)
Pieter Desmedt (since 28 February 2018)

Françoise Gilles (until 31 December 2018)

Audit Committee
Patrick Keusters, chairman (*)
Philippe Rucheton (*)
Patrick Lemoine

Nomination Committee
Jef Van In, chairman
Benoît Claveranne
Patrick Keusters (*) (since 27 March 2018)

Remuneration Committee
Jef Van In, chairman
Benoît Claveranne
Michael Jonker (*) (since 29 January 2018)

Risk Committee
Philippe Rucheton (*) (chairman)
Patrick Lemoine
Michael Jonker (*) (since 29 January 2018)

Patrick Keusters (*) (until 27 March 2018)

Statutory Auditor
PwC, Auditors, bcvba, represented by Gregory Joos (licensed auditor)

(*) independent director, according to art 526 Company Code

Management Report

AXA Bank Belgium 2018 Results

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Message from the Chairman of the Board of Directors and the Chief Executive Officer

2018 was another challenging year for the banking sector in Belgium. The low interest rate environment puts interest income under pressure. In addition, the wave of mortgage loan refinancing during the years 2015 and 2016 continued to weigh on financial results in 2018.

In 2018, AXA Bank Belgium's results increased by 4 million euro to 45 million euro.

AXA Bank Belgium can present excellent commercial results in its key business areas:

With regards to Credits, AXA Bank Belgium exceeded the record productions of 2016 and 2017 with 3.3 billion euro in new mortgage loans. Hereby successfully increasing its market share from 8% in 2017 to 9% in 2018. Moreover, Professional loan production also increased significantly (+ 11% compared to 2017).

In 2018, the net new money in invest amounted to 458 million euro, an increase of 4.1% compared to 2017. Despite volatile financial market conditions, AUM of AXA funds were 352 million euro higher compared to the previous year. During 2018, we observed within the market an outflow of invest to insurance products T21 and T23.

During 2018, AXA Bank Belgium continued to pursue its transformation efforts. This transformation is constructed on 3 building blocks:

- Growth in targeted profitable client segments for mortgage loans, professional loans and invest.
- Accompanying our clients by professionalizing our network.
- Maximizing access and connectivity.

The bank also continues to invest in customer advice, in order to further support and accelerate its growth strategy over the coming years.

To support this shift in approach and offer more time for advice for loans and invest, we have reduced frequency and volume of cash handling and of paper statements sent to agents. This has yielded a 10% workload reduction for the agents.

In order to support this evolution in favour of advice and proximity, we are moving towards fewer yet larger agencies, where customers can invariably turn to fully-fledged investments or loan specialists. In 2018, the number of physical sales points decreased from 620 to 555.

Within the omnichannel client experience, in June 2018 AXA Bank launched an online application tool for consumer loans.

The chosen model of personal advice, supported by high-performance digital tools, has again been acknowledged by our customers: following a Spaargids opinion survey. For the second consecutive year, AXA Bank Belgium won two Bank Awards: the award for the best branch network and the award for best online platform.

The combination of our strong network of agents and quality online tools can be considered the number one success factor in our high customer satisfaction: In 2018, AXA Bank Belgium obtains an NPS score (Net Promoter Score) of 24, a solid result in the financial sector.

General expenses remained stable thanks to our ongoing aim to increase efficiency by automating processes and our strict cost-conscious culture. Bank taxes fell by 6 million euro yet remained high at 42 million euro (19% of operating costs).

Peter Devlies

Chief Executive Officer

Jef Van In

Chairman of the Board of Directors

“AXA Bank belongs to the top of the Belgian banks. Our goal is simple: we empower people by proactively accompanying them in accumulating and managing wealth.”

Peter Devlies - Chief Executive Officer of AXA Bank Belgium

About AXA Bank Belgium

AXA Bank Belgium is part of the AXA Group, a leading international bank insurer of 100 million customers with 160,000 employees in 62 countries. AXA is the number 1 insurance brand worldwide.

AXA Bank and AXA Insurance work closely together to make the AXA brand as strong as possible on the Belgian market.

AXA Bank focuses with its customer-oriented approach on proactively guiding 867,859 customers in the accumulation and management of their assets. AXA Bank is the sixth Belgian bank by balance sheet total and holds a strong position in the market for home loans. In 2018, 18,000 Belgian families could count on the support of AXA Bank when they bought their home. Investors can go to AXA Bank for tailored advice and financial support.

Online and personal contact go hand in hand at AXA Bank. The combination of its strong network of independent bank agents and user-friendly digital tools was recognized in 2018, for the second consecutive year, with two bank awards: the award for the Best Online Platform and Best Branch Network.

AXA Bank Belgium Activities

AXA Bank Belgium is primarily a retail bank, focussing on retail daily banking, savings and lending, i.e. servicing clients in their financing needs and facilitating savings and invest possibilities. AXA Bank Belgium also performs intermediation activities that predominantly provide derivatives to different entities within the AXA Group.

RETAIL ACTIVITY

AXA Bank Belgium offers an extensive range of financial products to retail clients, self-employed professionals and small companies. Therefore, it relies on a network of exclusive, independent bank agencies that also supports the sale of AXA Belgium insurance products and AXA Investment Managers' products. The product range is easy to understand and covers all elementary banking needs. The core products are a current account and related savings account, mortgage loans, consumer and professional loans and investment funds.

As AXA Bank Belgium's balance sheet is predominantly composed of mortgage loans and client deposits, a significant part of AXA Bank Belgium's revenue is derived from net interest income. In order to increase revenue diversification, AXA Bank Belgium is increasing its effort and focus in developing sources of fee income through investment products, as well as credit production in professional loans.

INTERMEDIATION ACTIVITY

The intermediation activity provides a set of execution and reporting services in derivatives to AXA Group companies, most of them hedging Variable Annuities products. It allows the bank to diversify risks and revenues, while leveraging on its competences in derivatives necessary for the management of the bank's balance sheet.

ASSET AND LIABILITY MANAGEMENT

AXA Bank Belgium's ALM is in charge of the monitoring and hedging of the risks arising from the mismatches between the assets and liabilities (ALM risk profile); the optimisation of the funding mix, and the protection of the commercial margin (negotiation and application of Fund Transfer Pricing or FTP).

AXA Bank Belgium's ALM also manages the investment portfolio. This bond portfolio is held in order to guarantee a minimum level of unencumbered high quality liquid assets and to provide a natural hedge to variable rate mortgage loans through OLOs.

TREASURY

The primary focus of the treasury is the short-term (from intraday to 1 year) liquidity management.

Non-Financial Information

AXA COMPLIANCE AND ETHICS GUIDE

AXA Group and AXA Bank Belgium have a commitment to conducting their business to the highest standards of honesty and fairness: this commitment is designed not only to ensure compliance with applicable laws and regulations but also to earn -and keep- the trust of clients and business partners.

The Compliance and Ethics Guide, published on www.axabank.be, establishes the principles governing the bank's actions.

FIGHT AGAINST MONEY LAUNDERING AND THE FINANCING OF TERRORISM

AXA Bank is well aware of the risks of money laundering and financing of terrorist activities. It therefore applies a customer acceptance policy and monitors transactions in accordance with applicable legislation and Group policy.

The bank has set up an independent function that identifies, assesses, advises on, monitors and reports on the bank's compliance risk (the risk of sanctions, financial loss or harm to the bank's reputation arising from failure to comply with all laws, regulations, codes of practice, etc.)

AXA GROUP INSTITUTIONAL UNDERTAKINGS

In appendix (Chapter 7 of AXA SA annual report) to this report, the AXA Group presents its institutional undertakings, which are aligned with its sustainable development strategy, focusing on Human Rights and the Environment. AXA is creating value through its work and plays a key role in economic development throughout the world.

In 2018, AXA Bank Belgium and AXA Belgium made a contribution to these commitments through the assistance of 3000 volunteers from AXA Hearts in Action, AXA's international volunteer programme. These volunteers put in thousands of hours to support good causes of their choice, or made a big contribution to facilitating the Special Olympics or TADA (ToekomstATELIERdel'avenir) which works with disadvantaged young people in Brussels. AXA has supported charitable actions relating to "longevity". The 'Relais pour la Vie', or Relay for Life, an initiative of the Fondation contre le Cancer (Belgian Foundation against Cancer), is one of these. AXA also supports GoodPlanet, a foundation created by the famous French photographer Yann Arthus-Bertrand, which develops and supports projects, training and teaching tools with the goal of building a sustainable society.

Economic Context

Economic and Financial Context 2018

"Economic activity in Belgium has progressed more slowly than the European average mainly due to slower export growth."

% 1.4

Belgian GDP Change [1]

€ 37 bn

Mortgage loans granted in Belgium [3]

% 2.3

Belgian Inflation [2]

€ 370 bn

Household deposits in Belgium [2]

The Economic And Financial Context

In 2018, growth in the global economic activity eased slightly to 3.7% from 3.8% in 2017. Global growth forecasts for 2019 and 2020 have been revised downwards, partly due to the negative effects of weaker expectations of financial markets, uncertainty around trade policy and concern over the Chinese outlook. The level of growth remains uneven throughout the world. In mature countries, growth remains stable at 2.3% in 2018, compared to 2.4% in 2017. In emerging countries and developing countries, growth remains relatively stable compared to 2017, reaching a level of 4.6%, thanks to a favourable global financial environment and recovery in advanced countries. Asian countries, particularly China and India, remain a growth engine and post growth of 6.5% and 6.6%.

UNITED STATES

In the United States, following the introduction of the tax reform in 2017, GDP growth reached 2.9% in 2018. Growth is expected to fall to 2.5% in 2019 and decline further to 1.8% in 2020 with the abolition of a fiscal stimulus. Nevertheless, strong growth in domestic demand will support increased imports and help widen the current account deficit.

The Federal Reserve raised its rate to 1.75% in mid-March, 2.0% in mid-June, 2.25% in mid-September, and 2.5% in mid-December 2018. But has indicated that it will be more patient for its future rate increases, because of the Chinese and European economic slowdowns, but also uncertainties related to Brexit, shutdown, etc.

The S&P 500 has risen in a volatile way throughout the year, reaching a record high in January and September.

EUROPE

The Euro Zone shows a lower GDP growth of 1.8%, compared to 2.4% in 2017. Growth rates have been revised downward for many countries, notably Germany (due to private consumption, weak industrial production following the introduction of new anti-pollution standards for the automotive industry and reduced external demand), Italy (due to weak domestic demand and rising borrowing costs, with sovereign bond yields remaining high) and France (because of the negative impact of the protests).

In financial markets, the European Central Bank (ECB) announced in June 2018 that it would extend its asset purchase programme until the end of the year. In December, the ECB announced the end of its programme. In addition, the ECB has committed to keeping rates at current levels (0%) until at least the end of summer 2020.

In Europe, the Euro Stoxx 50 showed a downward trend from January, reaching, in December, its lowest price since 2016.

UNITED KINGDOM

In the United Kingdom, growth slowed down 1.4% (compared to 1.8% in 2017), explained by the negative effect of the prolonged Brexit uncertainty which offsets the positive effect of the recovery.

The Bank of England, increased its benchmark rate from 0.50% in November 2017, to 0.75% in August.

JAPAN

In Japan, growth dropped to 0.9% (down from 1.9% in 2017). Thanks to additional budget support to the economy this year a growth of 1.1% is forecast in 2019.

RUSSIA

In Russia, growth was 1.7% in 2018 (1.5% in 2017). A slowdown in growth is expected due to the decline in oil prices in the short term.

BELGIUM

Economic activity in Belgium has progressed more slowly than the European average, and shows lower growth than last year (growth of Belgian GDP[1]: + 1.4% vs. + 1.7% in 2017), mainly due to slower export growth.

	2018	2019	2020	2021
Belgian GDP *(Change)*	1.4	1.3	1.4	1.4

Inflation[1] reached 2.3% in 2018, stable compared to 2017 (2.2%). In 2018, the price of oil was nearly 30% above its 2017 level. In addition, 2018 was already marked by a sharp rise in energy prices. At the same time, the disappearance of the effects of the wage moderation policy carried out during the 2014-2016 period has led to an acceleration of wage growth. However, the rise in underlying inflation remains limited in 2018, due to the appreciation of the euro against most other currencies.

Despite overall growth, bankruptcies rose sharply in Brussels (+ 15%), while they decreased in Wallonia (-8%) and Flanders (-5.8%). The harmonized unemployment rate[1] fell in 2018, from 7.1% to 5.9%; the Belgian unemployment rate is still below the European average (8.2%).

OLO rates (10 years) fluctuated during the year between 0.6% and 1%. The interbank rate remained below 0% in 2018, very stable, around -0.32%.

For the first time in 10 years, the purchasing power has grown faster than consumption, the personal savings rate has risen from 11.2% in 2017 to 11.9% in 2018.

The annual inflation rate for house prices amounts to 2.6% in Q3 2018 compared to 3.7% in Q3 2017. The house price index stands at 110.99 points in Q3 2018 compared to 108.18 points in Q3 2017.

Belgian households had a record amount of deposits in 2018 of 370 billion euro (350 billion euro in 2017).

In 2018, 37 billion euro in new mortgage loans were granted[3].

(1) Data Source: Federal Planning Bureau
(2) Data Source: NBB
(3) Data Source: BVK

Results 2018

"In 2018, the production of new mortgage loans reached a record high."

€ 3.3 bn

Mortgage Loans Production

€ 537 m

Professional Loans

Production

€ 458 m

Net Growth Invest

 # 21 k

Growth in Current Accounts

Results

CUSTOMER JOURNEY CREDITS

Mortgage loans – In 2018, the production of new loans reached the exceptional level of 3.3 billion euro. The total Belgian production increased from 35 to more than 37 billion euro and we succeeded in increasing our market share from 8% in 2017 to 9% in 2018. The portfolio of outstanding mortgage loans grew, totalling 18.1 billion euro, and shows an excellent quality.

Professional loans - The improved commercial activities on the segment of self-employed and micro-enterprise and the renewal of the offer in professional loans started in April 2015. From then on the loan production increased by more than 10% each year, 2018 included. Our credit production increased this year from 484 million euro in 2017 to 537 million euro (+11%). This growth was made possible by the favourable economic environment, on the one hand, but, on the other hand, also results from the sustained commercial efforts during the last years in the B2B segment. For example we invested, amongst other things, in trainings (technical and soft-skills) for an important part of our agent network and in supplementary agent support for the more important files. Since our agents are very experienced in granting mortgage loans for private clients, it is not surprising that 47% of the volumes comes from Immo-loans. The outstanding portfolio grew by 9 % from 1,482 million euro to 1,612 million euro.

Consumer loans - Due to limited profitability (increased competition) and low opportunity to cross-sell it was decided to consider Consumer loans mainly as a servicing product to retain existing clients rather than as a product to attract new prospects. Total production dropped by 3% to 283 million euro, meaning a market share down from 3.35% to 2.99%.

In 2018, we launched a new omnichannel platform for consumer loans to optimize efficiency by introducing a new convenient digital multichannel process for the customer.

CUSTOMER JOURNEY INVEST

In 2018, the total net new money (NNM) in invest amounted to 458 million euro, an increase of 4.1% compared to 2017. This is the net result of positive growth in open funds of 547 million euro and a net outflow in EMTN and third party products of respectively 62 million euro and 27 million euro.

Open funds - The main part of NNM came from the sales of open funds, which grew by 547 million euro in 2018, a decrease of 4% compared to 2017. Higher volatility on the financial markets, on the one hand, and an early redemption of the AXA Maturity 2020 fund ,on the other hand, meant that both gross inflow and gross outflow in open funds increased however year-on-year. Gross inflow increased by 12% to 737 million euro, outflow more than doubled year-on-year to 190 million euro.

EMTN's - In 2018, no new AXA Bank EMTN's were issued, but there were some important maturities of existing EMTN's. As a consequence of slightly increasing interest rates, hence lower net asset values, there was a lower net outflow in EMTN's by 62.3 million euro, compared to 99.9 million euro in 2017.

Third party products - For a few years now, third party products (mainly individual lines of shares & euro bonds) are no longer being actively promoted. Nevertheless, net outflow in these products decreased by 12.9% versus 2017. As a result of more volatile financial markets in 2018, we observed lower volumes in both buying and selling individual lines of shares. Next to that, sales of euro bonds fell strongly because of certain strategic choices with regards to the Mifid II implementation.

CUSTOMER JOURNEY DAILY BANKING & DEPOSITS

Daily Banking - Most indicators show a continuous growth.

The number of current accounts has grown by 21,000. For private accounts, the portfolio-growth is mainly within the (free) Start2Bank accounts. The portfolio of (fee-generating) comfort2bank has decreased by 5,000. As a result, the fee income shows no growth in 2018. Current accounts have continued to grow with a net new money of 103 million euro. This is less than 2017 (237 million euro).

The credit card portfolio has increased by 7 thousand. Thanks to the successful launch of the VISA4Pro and a growing Visa Classic portfolio.

The number of connected customers increased by 24,000. A connected customer is a private customer that simultaneously has a recurring income on her/his current account, has sufficient transactions and is digitally active (used home- or mobile banking during the past 3 months).

Deposits - have increased by 253 million euros in 2018. This increase was composed of a rise in savings accounts (496 million euro), but a decrease in certificates of deposits (18 million euro) and term deposits (226 million euro). The drop in term deposits can be explained by low interest rates impacting the appetite of clients to reinvest their maturing term deposits into new term deposits. As a consequence, a large section of those maturities shifted to savings accounts.

ASSET & LIABILITY MANAGEMENT

AXA Bank Belgium's Asset and Liability Management (ALM) is an essential component of balance sheet management. Its main purpose is to manage AXA Bank Belgium's exposure to risks related to interest rates, liquidity and exchange rates. These risks are managed as part of a risk appetite framework, set by AXA Bank Belgium's Board of Directors and within the applicable regulatory constraints.

During 2018, a special focus has been set on the pricing review and hedging of the cap embedded in the variable rate mortgages. The existing swaption portfolio has been rebalanced to provide increased granularity in terms of strikes and maturities.

A strategy of early hedging has been implemented to shorten the time to hedge the business production. The strategy relies on intra monthly hedging of the expected monthly production of mortgages and funds entrusted, and contributes to the reduction of the interest rate risk.

In April 2018, ABE SCF (Société de Crédit Foncier), AXA Bank Belgium’s vehicle for issuing covered bonds, successfully issued its first dual tranche covered bond, securing 750 million euro of 7 year and 500 million euro of 15 year funding at very tight levels (respectively mid swaps -3bp & mid swaps+10bp).

Managed within strict limits, the investment portfolio is made up exclusively of high-quality European sovereign debts, guaranteed supranational bonds and secured bonds, without any foreign exchange risk. In order to improve AXA Bank Belgium's leverage ratio and given the decline in credit spreads on the bonds market, the ,size of the portfolio was reduced by 0.4 billion euros (book value) in 2018 and stood at 2.31 billion euros (book value) at the end of 2018. For the IFRS9 implementation, it has been decided to allocate part of the investment book to the Held to Collect category in January 2018.

TREASURY AND INTERMEDIATION

European Medium Term Note are internally structured and hedged in the market by AXA Bank Belgium's derivatives specialists, who also provide derivatives execution and processing services, exclusively for selected entities of the AXA Group (in particular AXA Life Europe). Services provided include execution, clearing, valuation and ‘European Market Infrastructure Regulation’ (EMIR) reporting obligations. Besides the mandatory derivative volume compression analyses, AXA Bank Belgium has reduced its operational risk through compressions of 1.34 billion euro and backloads to the central clearing platform of 8 billion euro in interest rate derivatives. The volume of new interest rate swaps (IRS) traded with AXA companies in 2018 stood at 7.5 billion euro, the off-balance sheet inventory of AXA Bank Belgium's treasury and intermediation derivatives notional has increased in 2018 by 13.1 billion euro to 91.9 billion euro, compared to 78.8 billion euro in 2017.

The backloading of existing derivatives to a central clearing platform and systematic clearing of new derivatives together with the active management of counterparty credit exposure allowed for a reduction of the counterparty credit exposure. Such remaining exposure is systematically collateralised by cash or high quality bonds. Following the nature of the Share Purchase agreement with regards to AXA Life Europe, such intermediation activities are expected to be downsized in 2019.

Comments on the 2018 consolidated IFRS results

PROFITS AND LOSSES

In million EUR	2017	2018
Financial & operating income and expenses	302	320
Administrative costs and amortisations	240	235
Provisions	-0.4	25
Total profit *(From continuing operations before taxes and minority interests)*	63	60
Net Profit	41	45

Financial & operating income and expenses – Financial & Operating income and expenses increased by 18 million euro compared to 2017, which is mainly explained by the increase in interest margin and fee income. The increase in interest margin is notably due to the impact of higher volumes in credit activity compensating the lower yields on hedges backing retail liabilities where the bank was no longer able to offset lower market rates with lower rates on customer deposits and savings.

Administrative costs and amortisations - Administrative costs (-6 million euro) and amortizations (+1.5 million euro) decline. The decrease in administrative cost is not only due to lower bank levies, but is also a consequence of continuing structural cost reduction measures offsetting a pursuit of focused investments in our core business.

Provisions - The increase in provisions is mostly the result of the provisioning of the early retirement plan announced in October 2018 (a voluntary leave plan for people turning 60 years at the latest 31.12.2020), not fully offset by the decrease of the provision of some old litigations due that came at expiry date. as the recurring credit risk remains stable following efforts from 2017-2018 to reduce risks made in past years, a strict credit underwriting policy, adjustment of credit models and recoveries from already amortised files.

Total profit from continuing operations before taxes and minority interests – Total profit or loss from continuing operations before taxes and minority interests stands at 60 million euro which is down 3 million euro compared to 2017. This reduction is explained by the 25.6 million euro increase of provisions which is only partly offset by the increase in revenues (+18 million euro) and the lower administrative costs (-6 million euro), **Net profit** – Net profit stands at 45 million euro, which is up 4 million euro compared to 2017 as the corporate tax rate in Belgium dropped from 33.99% to 29.58%.

BALANCE SHEET AND OFF-BALANCE SHEET

BALANCE SHEET

In Million EUR	2017	2018
Cash balances	597	404
Financial Assets	26,121	25,910
Held for trading	*1,247*	*774*
At Fair value through OCI	*2,952*	*2,319*
At amortized cost	*21,922*	*22,817*
Derivatives – Hedge accounting	68	18
Fair value changes	335	403
Other assets	195	218
Total Assets	**27,316**	**26,953**

Assets - In 2018, AXA Bank continued to transform its cash (-0.3 billion euro) and maturing assets (i.e bonds) (-0.4 billion euro) into Belgian credit (+1.1 billion euro) to support the economy. At the same time, the trading portfolio (i.e. derivatives business) (-0.4 billion euro) has been brought down, explaining a reduction in the total assets (-0.4 billion euro).

In Million EUR	2017	2018
Financial Liabilities	25,572	25,437
Held for trading	*825*	*353*
At Fair value through OCI	*1,349*	*1,215*
At amortized cost	*23,398*	*23,868*
Derivatives – Hedge accounting	288	69
Provisions	213	234
Other liabilities	80	68
Equity	1,163	1,145
Total Liabilities & Equity	**27,316**	**26,953**

Liabilities - In 2018, AXA Bank clients continued to trust AXA Bank with their deposits, while at the same time institutional investors did the same in the covered bond programme of the bank causing a funding increase of 0.5 billion euro. This has been offset by bringing down the trading portfolio (i.e. derivatives business) (-0.5 billion euro) and the valuation of the hedge accounting derivatives (-0.2 billion euro), explaining a reduction in the total liabilities.

Equity – Equity is stable.

OFF BALANCE SHEET

In Billion EUR	2017	2018
Intermediation derivatives	76.91	88.37
ALM portfolio hedges	7.26	9.35
Commercial hedges	14.22	17.29
Treasury derivatives	1.91	3.52
Total	**101.80**	**118.53**

The off-balance sheet portfolio has increased by 16.7 billion euro to 118.5 billion euro (2018 compared to 2017), mainly driven by the intermediation off-balance sheet, which grew by 11.5 billion euro due to new business from AXA insurance companies and commercial hedge positions, as these are influenced by the increasing credits portfolio and the corresponding ALM hedges.

CONSOLIDATION SCOPE

On 31 December 2018, the scope of consolidation for AXA Bank Belgium consisted of the following companies: AXA Bank Belgium SA, Royal Street SA, AXA Belgium Finance BV and AXA Bank Europe SCF.

Comments on the statutory accounts and the allocation of earnings

Statutory profits for 2018 amounts to 40.2 million euro. Accumulated profits amounted to 61.8 million euro by the end of 2017. In 2018, a dividend of 50 million euro was paid. Consequently, accumulated profits, as at 31 December 2018, amount to 52.1 million euro.

The Board of Directors proposes, after allocation to the legal reserves, to carry forward the 2018 result to the next financial year.

The drivers impacting the IFRS result (Early Departure Plan, Old Litigations coming at expiry) explain also the evolution of the Be-Gaap result from 2017 to 2018. On top of that a tax cost is expressed as AXA is in a tax paying position again as from 2018.

Significant events after 2018

There is no significant event to report.

Liquidity and solvency

AXA Bank Belgium's level of liquidity remained at a comfortable level throughout 2018. As per 31 December 2018, the liquidity coverage ratio (LCR) was at 228% (175% in 2017) and the net stable funding ratio (NSFR) was141% (139% in 2017). This position is essentially based on a combination of funding sources such as deposits from retail customers and covered bonds for the institutional market. In this regard, AXA Bank Belgium placed 2 covered bonds in the market in 2018 for a total of 1,250 million euro, with long maturity dates of respectively 7 years (750 million euro) and 15 years (500 million euro). In addition, AXA also benefits from the ECB TLTRO programme a total amount of 600 million euro in two tranches maturing respectively in 2020 (150 million euro) and 2021 (450 million euro).

AXA Bank Belgium's CET1 ratio ends up at 15.1% in December 2018 (19.7% in 2017). The evolution of the ratio is mainly explained by technical changes in the calculation of Risk Weighted Assets driven by the controlling authorities. Risk Weights on AXA Bank Belgium's mortgage loans portfolio have increased from 16.5% in Dec-17 to 21.2% in Dec-18. These prudent risk weights apply to AXA Bank Belgium's core product - mortgage loans - of which the stock reaches 18 billion euro (from 17 billion euro in 2017) thanks to a record year in terms of production. These technical changes do not reflect any change in the actual risk profile of AXA Bank Belgium's mortgage loans portfolio.

With respect to capital, AXA Bank Belgium distributed a dividend of 50 million euro to its shareholder in 2018 that is in fact almost fully compensated by the net income of the year 44.9 million euro.

Leverage ratio stays almost stable at 4.2% in 2018 (4.3% in 2017). AXA Bank Belgium's leverage exposure factors in the yearly record production of mortgage loans as mentioned above, compensated by decreased stock of investment portfolio and promissory notes.

Main risks and uncertainties

The **macro-economic environment**, and particularly the level and shape of the EUR yield curve, the Belgian housing market or the state of the Belgian economy (GDP, unemployment rate, residential property market,…), affect the profitability of the bank. This is a direct consequence of AXA Bank Belgium's focused business model, i.e. the transformation of Belgian deposits into loans to the Belgian economy, mostly mortgage loans and, to a lesser extent, professional loans and consumer loans. AXA Bank Belgium's business model also implies some concentration risk on Belgian mortgage loans and hence the Belgian residential property market.

The evolution of the **banking landscape** in Belgium is a material factor of business risk. Customer behaviour or customer expectations in their interactions with their banking partner are changing. While this is not so much a risk than a fact, the extent to which the change will materialize, or the speed, remains uncertain. The increasing useof technologies and the digitization of banking also imply dedicated attention to **information security, cyber-risk and e-fraud.**

The **regulatory and tax environment** significantly impact AXA Bank Belgium's activities. Changes in regulation or tax regimes can be highly impactful, especially given AXA Bank Belgium's simple business model, thus concentration on a limited number of activities. As an illustration, 2 recent regulatory measures have particularly affected retail banks, that transform deposits into mortgage loans: (a) the prudential measure decided by the National Bank of Belgium to raise capital requirements for mortgage loans as from 2018 or (b) the floor of 11bps on Belgian savings accounts, despite the negativeinterest rate environment on the short end of the yield curve. Other examples of evolving regulations or standards are MREL-requirements (Minimum Requirement for own funds and Eligible Liabilities), IFRS9 (International Financial Reporting Standards), EMIR (The European Market Infrastructure Regulation), MiFID II (Markets in Financial Instruments Directive), AMLD IV and V (Anti-Money Laundering Directive), GDPR (General Data Protection Regulation).

AXA Bank Belgium is particularly committed to implementing a zero-tolerance approach towards **misconduct risk**. To this end, AXA Bank Belgium rolls out a multi-disciplinary programme, combining training courses, certifications, controls, incentives or sanctions.

Overall, AXA Bank Belgium monitors and manages risks within the risk appetite framework set by the Board of Directors and according to the prescribed risk governance. More information is available in Chapter 4 of the annual report.

Management bodies and corporate governance

COMPOSITION OF MANAGEMENT BODIES

Board of Directors	Management Board	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee
Jef Van In, Chairman				President	President
Peter Devlies	Chairman				
Philippe Rucheton (independent director)		✓	President		
Michael Jonker (independent director) (from 29 January 2018)			✓		✓
Patrick Keusters (independent director)		Chairman	✓ (until 27/03/2018)	✓ (since 27/03/2018)	
Patrick Lemoine		✓	✓		
Marie-Cécile Plessix					
Benoît Claveranne				✓	✓
Emmanuel Vercoustre	✓				
Françoise Gilles (until 31 December 2018)	✓ (until 31/12/2018)				
Peter Philippaerts (from 29 January 2018)	✓				
Jeroen Ghysel	✓				
Frank Goossens	✓				
Pieter Desmedt (from 1 January 2019)	✓				

Auditors: PwC Bedrijfsrevisoren cvba / PwC Réviseurs d'Entreprises scrl, represented by Gregory Joos (accredited auditor)

AXA has the ambition to become worldwide the most inclusive company of the financial services industry. Therefore we are opposed to any form of discrimination.

MODIFICATIONS OCCURRING IN 2018 AND SINCE JANUARY 1ST 2019

BOARD OF DIRECTORS:

- appointment of Michael Jonker, with effect from 29 January 2018
- appointment of Peter Philippaerts, with effect from 29 January 2018
- appointment of Pieter Desmedt, with effect from 1 January 2019
- move of Françoise Gilles with effect from 1 January 2019

MANAGEMENT BOARD:

- appointment of Peter Philippaerts, with effect from 29 January 2018
- appointment of Pieter Desmedt, with effect from 1 January 2019
- move of Françoise Gilles with effect from 1 January 2019

AUDIT COMMITTEE:

- none

RISK COMMITTEE:

- appointment of Michael Jonker, with effect from 29 January 2018
- move of Patrick Keusters to Nomination Committee, with effect from 27 March 2018

NOMINATION COMMITTEE:

- move of Patrick Keusters from Risk Committee, with effect from 27 March 2018

REMUNERATION COMMITTEE:

- appointment of Michael Jonker, with effect from 29 January 2018

COMPETENCE OF THE MANAGEMENT BOARD

The Management Board is created by decision of the Board of Directors and manages AXA Bank Belgium and all of its branches and subsidiaries.

The management board is a collegial decision-making body. The Management Board's role is to propose the corporate strategy to the Board of Directors and execute that strategy. The Management Board is responsible for managing the bank's operations. It operates its management within the framework of the general policy defined by the Board of Directors. The Management Board operates under the supervision of the Board of Directors, which keeps the exclusive authority to determine the strategy and for all matters that are reserved exclusively to the Board of Directors by law.

Members of the management board (voting):

- CEO (Chairman): Peter Devlies
- Deputy CEO/CFO (Vice Chairman): Emmanuel Vercoustre
- CRO: Françoise Gilles (until 31/12/2018)
- CRO: Pieter Desmedt (from 1/01/2019) (ECB approval pending)
- Head of Customer Journey Invest: Peter Philippaerts
- Head of Customer Journey Daily Banking & Savings: Jeroen Ghysel
- Head of Customer Journey Credits: Frank Goossens
- Permanent invitees: Corporate Secretary of Management Board (secretary)
- Invitees: as require

MANAGEMENT BOARD MEMBERS

PETER DEVLIES - Peter Devlies joined AXA Bank Belgium on the 19th of December 2016 as Chief Executive Officer. He holds a Master in Business Administration from Chicago University and a Master in Commercial Engineering from KULeuven. Peter held previous positions at McKinsey and Dexia Bank Belgium before joining the Executive Committee of Bank Van Breda, a Belgian bank for entrepreneurs and liberal professions, in 2010.

EMMANUEL VERCOUSTRE - Emmanuel Vercoustre joined AXA Bank Belgium as Head of Financial Services in December 2011 and became, additionally to his tasks, Deputy CEO in October 2012. Emmanuel holds an Insead MBA and also graduated from Ecole Supérieure de Commerce de Paris with a major in Finance. He joined AXA Group in 1999, as Head of Financing, Treasury and Participations after which he led the Corporate Finance and Treasury of AXA Group (Direction Centrale des Finances du Groupe) to become in 2007 Head of Finance, Control and Strategy of AXA Investment Managers. Before joining AXA, Emmanuel gathered a wide experience in banking during 17 years at Crédit Commercial de France in London and Paris with a strong focus on, first, building and developing a Trade Finance Department and, then, focusing on ALM, funding, product pricing and trading activities. Emmanuel is also a Director of ISDA (International Swaps and Derivatives Association).

PETER PHILIPPAERTS - As of the 1st of December, Peter Philippaerts has been appointed as Head of Customer Journey Invest and member of the Management Board of AXA Bank Belgium. Peter Philippaerts has a Master's degree in Economics (KU Leuven) and after having held several positions in distribution at Dexia Bank, he was general director of distribution at Dexia Bank, later Belfius Bank between 2006 and 2012. From 2012 to 2013, he was general director of operations at Belfius Bank, before joining Ordina Belgium as their Operations Director. In 2015, he was appointed Chief Operating Officer at CHU Brugmann.

FRANK GOOSSENS - Frank Goossens has been appointed as of September 2016 as Head of Products & Operations and most recently (1st of February 2018) as Chief Credit Officer. Frank obtained a Master's degree in law from the Katholieke Universiteit Leuven (KUL) (Catholic University Leuven) and also has a Bachelor's degree in Business Administration from the same university. Frank started his professional career in the insurance sector at De Vaderlandsche and Boreas Leven. After that, he worked in several positions at retail bank Centea where, in 1999, he was appointed Senior Manager of the department of credit to businesses, liberal professions and self-employed entrepreneurs. Later on, he became Senior Manager at the department of Clients, Transactions and Savings. Between 2003 and 2005, he was Senior Manager at the Inspections department. Between 2005 and 2011 he was Senior Manager Credits. In 2012, he joined AXA Bank as head of Operations Credits (acquisition, management, collections), as well as credit policy and credit review.

JEROEN GHYSEL - has been appointed as of 1 January 2014 Chief Information Officer and more recently (1st of February 2018) Head of Customer Journey Daily Banking & Deposits. Jeroen Ghysel is a Commercial Engineer in Management Informatics (Leuven) and started his career as Business Process Management Consultant and later as Senior Consultant and Business Architect in various IT consultancy services companies. From 2006 to 2009, Jeroen served as Programme Manager at Fortis, where he was active for Fortis Group, ABN AMRO and Fortis Bank. He joined AXA in 2009 as Head of Business Transformation Services and became later Head of Business Service Line Bank & Retail Life. Since 2012, he is responsible for Business Transformation Planning and IT Service Development for AXA Bank Belgium.

FRANÇOISE GILLES - was appointed Chief Risk Officer in November 2014. Françoise graduated as a Civil Engineer in Applied Mathematics from Université Catholique de Louvain-la-Neuve (UCL) and holds a Master degree in Actuarial Sciences. She is also a guest lecturer in Life Insurance at UCL. Françoise has spent most of her career in the area of Risk Management, ALM and Capital Management at Fortis and ING. She joined AXA Bank Belgium in 2013 as head of European ALM & Capital Management. Thanks to her professional experience, she acquired a thorough knowledge of financial and capital markets.

COMPETENCE AND INDEPENDENCE OF THE AUDIT COMMITTEE AND THE RISK COMMITTEE

AXA Bank Belgium's Audit Committee consists of Patrick Keusters, who chairs it, Philippe Rucheton and Patrick Lemoine. It is made up of a majority of independent individuals so that it meets the requirements of article 27, paragraph 1 of the law of 25 April 2014 relating to the status and monitoring of credit institutions.

Its members have collective skills in the fields of banking, accounting and audit and at least one member has skills in terms of accounting and/or audit.

The Risk Committee has been operational since 1 January 2015 and is composed of Philippe Rucheton(Chairman), Michael Jonker (from 29 January 2018) Patrick Keusters (until 27 March 2018) and Patrick Lemoine, the first three being independent directors. Its members hold the status of non-executive directors.

Each of its members possesses the knowledge, skills and experience required for understanding and identifying the bank's strategy and level of risk tolerance. On these subjects, they are called upon to advise the members of the Management Board and to assist them in their supervisory role for the Management Board’s implementation of the strategy.

Philippe Rucheton, Patrick Keusters and Michael Jonker meet each of the independence criteria set out in article 526 ter of the company code.

In terms of competence, Philippe Rucheton has been appointed an independent director of AXA Bank Belgium from 24 April 2014. He is a graduate from the *École Polytechnique*, the *Institut Supérieur des Affaires* (Higher Business Institute) and from the Sorbonne. He was director and finance director of Dexia between December 2008 and March 2014. Before that, he worked at Société Générale as CFO for Newedge Group, a brokerage firm; as Vice-President of its Czech banking subsidiary between 1995 and 2002, as ALM director. He started his career at Louis-Dreyfus Bank and at BERD and was a director for 20 years of Bernard Controls, an industrial company. Philippe Rucheton therefore has very broad experience in the banking and investment fields, in general management and in financial management and control, both in Belgium and abroad.

Patrick Keusters has been appointed as an independent director of AXA Bank Belgium since 1 January 2016. He has a Law degree and a Masters degree in management from the Vlerick School. He started his career in 1985 at Citibank, where he specialised in Corporate Banking. He moved to Banque Degroof in 1992 where, in 2000, he became director and member of the executive committee. In 2002 he assumed the role of managing director, first at Banque Degroof Luxembourg and then, between 2004 and 2015, at Banque Degroof Belgium. His responsibilities there covered Operations, Accounting, Compliance, Loans, Legal and Tax Affairs and Facilities. He was also president of the specialized banks section of Febelfin.

Michael Jonker has been appointed as an independent director of AXA Bank Belgium since 29 January 2018. Michael Eduard Jonker holds an MBA in Finance from the University of Oregon. He started his career in 1978 at ABN Bank, after which he joined Bank of America, before becoming Senior Account Manager at Paribas Netherlands. At ING, he acquired experience in departments related to credits. He carried out the duties of Global Head of Credit Risk Management there. From 2002 to 2016, he held the post of Chief Risk Officer and sat on the Executive Committee of ING Belgium. He has also accumulated experience as Chairman of the Supervisory Board at ING Lease Belgium and as member of the Board of Directors of Record Bank.

Patrick Lemoine has been appointed as an independent director of AXA Bank Belgium since 1 January 2010. He is a Mining Engineer (EMSE), has a degree in Higher Accounting Studies, holds an MBA from INSEAD and is an actuary. He started his career in 1981 at Credit Lyonnais and has since then acquired broad experience as technical director of non-life insurance and as a financial director in the insurance sector, both in France and Canada. He has recently been appointed Head of the AXA Group P&C’s operations Department.

Based on the above, the Board of Directors is able to justify the individual and collective competence of the members of the Audit Committee and the Risk Committee.

COMPETENCE AND INDEPENDENCE OF THE NOMINATION COMMITTEE AND THE REMUNERATION COMMITTEE

The Nomination Committee is made up of Jef Van In, Benoît Claveranne and Patrick Keusters (since 27 March 2018).

The Remuneration Committee is made up of Jef Van In, Michael Jonker (from 29 January 2018) and Benoît Claveranne. The remuneration Committee was held 4 times in 2018.

Both committees are chaired by Jef Van In and are composed uniquely of non-executive directors. Each committee has an independent member who meets each of the independence criteria given in article 526 ter of the company code.

For the skills of the independent directors, Michael Jonker and Patrick Keusters, see above for the competences described for the Audit and Risk Committees.

The chairman of the committees, Jef Van In, is a Commercial Engineer (K.U.L.) and has an Executive MBA from Flanders Business School. After a national and international career at ING Bank, he became CEO of AXA Bank Belgium in 2011. In addition, in 2012 he became responsible for the life insurance business of AXA in Central & Eastern Europe. In July 2016, Jef Van In became CEO of AXA Belgium and beginning 2017 he became president of the Board of Directors of AXA Bank Belgium. On the 29th of March, Jef Van In was confirmed as member and President of the Nomination and Remuneration committee.

Benoît Claveranne is a graduate of the Paris Institut d'Etudes Politiques. He holds a Masters degree in economics from the University of Paris. He joined AXA in 2009 as Director of European and Institutional Affairs of the Group, after having worked as a Director within the International Monetary Fund, the World Bank and the Ministry of Finance. From 2011 to 2013, he was General Director at AXA Prévoyance & Patrimoine, a network of exclusive AXA France agents. From 2014 to 2016, Benoît Claveranne was Director-General of the Life, Savings and Pensions Business for the Asian Region. In July 2016, he became the Group's Transformation Director and member of AXA Group's Executive Board. Since 1 December 2017, he has carried out the duties of Chief Executive Officer International and New Markets.

Consequently, the Board of Directors is able to justify that the Nomination and Remuneration committees are made up in such a way as to allow them to make relevant and independent assessments, both on nomination and remuneration policies and practices, and on the working of AXA Bank Belgium's administration and management bodies.

Remuneration policy

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

All the members of the Board of Directors are considered as “Identified Staff” (Category 1). As a consequence, the principles set out under point 2 hereunder fully apply to them.

NON-EXECUTIVE DIRECTORS

For the remuneration of the independent non-executive AXA Bank Belgium directors, their contribution to the work of the Board of Directors and of the committees within the Board of Directors will be considered. This is in accordance with the market standards.

The Directors concerned are reimbursed in the form of allowances and benefits in kind laid down by the Board of Directors for both the exercise of their mandates in the Board of Directors, and for their mandates in the committees which have been set up within the Board of Directors.

The mandate within the AXA Bank Belgium Board of Directors of the non-independent, non-executive directors who are part of an AXA Group entity, do not entitle them to any additional compensation.

Non-executive directors do not receive any variable compensation.

EXECUTIVE DIRECTORS

The remuneration policy applied by AXA Bank Belgium rests on the AXA Group's remuneration policy, and is in accordance with the Law relating to articles of association and monitoring credit institutions of 25 April 2014, known as the Banking Act. The main objective involves aligning the principles and structure of AXA Bank Belgium’s remunerations with sound and efficient management of the company (including risk monitoring).

So, as to guarantee conformity with the remuneration policy, this is regularly reviewed by the Remuneration and Governance Committee of the Group, and by the Remuneration Committee of the Executive Board concerned.

The policy concerning the remuneration of the directors should allow:

- to attract, develop, retain and motivate talent,
- to encourage and reward the best performance,
    - both on an individual and collective level, and
    - in the short, medium and long term
- to align the remuneration level with the results of the company,
- to guarantee adequate and efficient risk management.
- The Remuneration Guidance follows three main guiding principles:
- the competitiveness and market consistency of remunerations,
- the coherence and internal equity, based on individual and collective performance, in order to ensure fair and balanced remuneration reflecting employee’s individual quantitative and qualitative achievements and impact; and
- the results and the financial capacity of the company.

REMUNERATION OF THE "IDENTIFIED STAFF"

"IDENTIFIED STAFF"

Taking into account Article 67 of the law of 25 April 2014 on the status and supervision of credit institutions and the implementing decrees and the Delegated Regulation, and through additional criteria, the Board of Directors of AXA Bank Belgium has determined the perimeter of the Identified Staff as follows:

- **Category 1**: The members of the Board of Directors;
- **Category 2:** The members of the higher management;
- **Category 3**: The staff members with a position that implies risk-taking determined in accordance with the Delegated Regulation and other regulations;
- **Category 4**: The control functions that are responsible for the operational independent control functions ;
- **Category 5**: The staff members determined in accordance with the Delegated Regulation, of whom the total remuneration places them on the same remuneration level as the senior management and the persons with a position that implies risk-taking.

STRUCTURE OF THE REMUNERATION OF IDENTIFIED STAFF

The remuneration policy is structured in such a way that the total remuneration package is divided in a balanced way between the fixed component and the variable component.

The composition of the total package aims not to encourage any excessive risk-taking. The fixed component of the total remuneration package is significant enough to reward the staff members for their work, seniority, expertise and professional experience and to guarantee a totally versatile variable remuneration policy being set out, and notably the possibility of not paying any variable remuneration.

Fixed remuneration

Determining the fixed remuneration

The base pay of the Identified Staff is determined by taking into account the organizational responsibilities, as defined in the job description and the positioning in relation to the external benchmark.

Certain categories of Identified Staff receive a recurring function premium. They are allocated transparently, in a non-discriminatory way, on the basis of objective parameters and not associated with or subject to performance criteria. In the event of changing position to a position not considered as Identified Staff, the person might no longer be entitled to the function premium.

The fixed remuneration can also include benefits in kind.

Evolution of the fixed remuneration

Decisions concerning the evolution of the fixed remuneration of Identified Staff are based on performance (sustainable job fulfillment) and the positioning in relation to the external benchmark.

Individual increases are granted, based on the following principles:

- equitable treatment;
- strict delegation rules; and,
- a systematic double control by the line management and the HR- department.

Every performance year, AXA Bank Belgium determines the budget available for the evolution of the fixed remuneration of Identified Staff.

The results of AXA Bank Belgium's past performance year (compared with the objectives defined) will be a determining factor in setting the budget for the evolution of the fixed remuneration.

If AXA Bank Belgium's statutory results of the past performance year are negative or significantly lower than the set objectives, or for reasons of legal restrictions, AXA Bank Belgium may decide to limit the budget to award those increases that are due based on legal and/or contractual provisions.

Variable remuneration

Determining the variable remuneration

The variable remuneration is determined within the limits of the available budget and depending on the local and/or professional market practices, the profits generated by the activity and the achievement of quantitative and qualitative objectives on an individual level and on the level of the bank and the business line, as well as the contribution to the risk management and the observance of the compliance rules.

Determining the bonus budget

Each year AXA Bank Belgium defines the total available budget.

The bonus pool is determined on the basis of a decision process that is based on the business results as well as on the risk results. Check & Balances are key in this respect.

The envelopes for variable remuneration are determined on the basis of:

- the results generated by the activity (annual bonus pool);
- the market and achievements, amongst others with regard to risk;
- the financial situation of AXA Bank Belgium, including the capital base and requirements and the liquidity;
- the realized profits; and,
- the profit expectation and long term expectation.

Each year, the bonus pools are determined in the course of the budget process by AXA Bank Belgium in consultation with the Finance and the General Management department under the surveillance and with approval of the Board of Directors upon the advice from the Remuneration Committee. In doing so, account shall be taken of the direct input from Risk Management on the "cost of risk" (risk-adjusted performance) or equivalent risk measures, depending on the scope of the budget.

Only the results realized by the institutions within the AXA-group to whom CRD IV and the Banking Law apply are taken into consideration.

In the context of an ex ante risk adjustment, a risk analysis will be executed on the level of the enterprise and on the level of the business line or a particular section thereof, without prejudice to the evaluation on an individual level.

Variable bonus pools for supporting functions and integrated control functions are - by way of derogation from the above – determined independently of the performance of the business line of which they validate or control the transactions.

In the event the entity performs poorly, the individual variable remunerations determined within the scope of the funding available will automatically be reduced proportionately.

(Individual) performance

The **performance of AXA Bank Belgium** is taken into consideration by means of the result of the STIC (Short Term

Incentive Compensation) Grid. This “STIC Grid” consists of key indicators of activities and results with each receiving a certain weighting, and taking risk criteria into account.

The **(individual) performance** is measured by the achievement of (individual) financial and non-financial performance criteria, defined as:

- quantitative objectives (which are taken into account for at least 25% of the variable remuneration); and,
- qualitative objectives (general attitude, risk awareness, alignment with the interests of the client, the employee and the shareholder),

They are measured over various periods of time (achievements on a yearly basis, but also on a multiannual basis) for the years to come by means of observed performances and individual assessments with regard to the fixed objectives.

These objectives are determined in accordance with a fixed system, whereby objectives are:

- determined based on the ‘SMART’ principle: Specific, Measurable, Assignable, Realistic, Time-related;
- determined by ‘success criteria’;
- balanced;
- validated by both parties; and,
- formalized in the performance document in ‘People In’ within the AXA Bank Belgium deadline.

The Individual Performance Plan applies to the Identified Staff in all business lines of the bank and consists of an individual part that is linked to the performance score, that takes into account the results and risk/risk management objectives.

Ratio fixed remuneration – variable remuneration

The variable remuneration of each person of the Identified Staff is limited to the maximum of the following two amounts:

- 50,000 euro, without this amount being able to exceed that of the fixed remuneration
- 50% of the fixed remuneration

This restriction of the difference between the fixed remuneration and variable remuneration also applies for allocations of variable remuneration in case of exceedance of the objectives (‘above target’) or in case of extraordinary achievements.

Process of allocation and individualization – individual assessment

Within AXA Bank Belgium, the performance of the team to which the Identified Staff belongs and his or her individual performance (performance is measured on the basis of the profit- and risk level with regard to that profit) is assessed (a compulsory **annual individual assessment** carried out by the line manager) on the basis of at least the following elements:

- qualitative accomplishments in relation to the objectives set;
- professional behavior with regard to the values, compliance requirements and procedures applicable at AXA Bank Belgium, and aligned with the values and the leadership attitudes of the Group (“AXA Leadership Framework”);
- contribution to risk management, including operational risk;
- the managerial behavior of the person where appropriate.

The Board of Directors, after advice from the Remuneration Committee will carry out an additional assessment for all members of the Identified Staff taking into account:

- the contribution to the permanent control framework of the Bank;
- the involvement with material risks and subsequent decisions;
- incidents that would have occurred during the year and the corrective actions taken by the individual or his managers.
- This assessment may lead to an impact on the variable remuneration.

The assessment will be executed as much as possible with predetermined and applicable formulas and rules regarding the assessment. Score cards or other equivalent methods will be used for this purpose, whereby from 2017 onwards a formal evaluation will take place with regard to:

- compliance-criteria;
- a sound risk management.

The level of achievement of every objective and of the relevant leadership attitudes will be indicated amongst others on the score card by a score and concrete remarks. In addition, an overall score (on WHAT and HOW) and a total performance score will be attributed with a qualitative motivation in the relevant comment fields.

Depending on the realized quantitative and qualitative objectives, proposals for decisions will be determined.

Payment of the variable remuneration

In accordance with the Banking Act, at least 40% of the variable remuneration (up to 60% for the highest variable remuneration) is granted in the form of **deferred variable remuneration**, and at least 50% of the variable remuneration must be paid in "**financial instruments**".

This manner of remuneration, supported by employees' long-term profit-sharing, allows a significant part of the variable remuneration to be deferred, all in accordance with the requirements of laws and national and international regulations, and the requirements of national and international regulators.

Conditional cash

The 50% in "financial instruments" will be paid as "conditional cash".

To ensure the differentiation with cash variable remuneration, the conditional cash is subject to a retention period and targets after the retention period set in relation to

- Solvability (floor 2019: 10.75%), liquidity (floor 2019: 100%) & leverage (floor 2019: 3%)
- A retention period of 1 year (as from grant/vesting) before the conditional cash payment will be effectively made.

This leads to the following payment scheme:

Assumptions	
Performance year	2018
Upfront	60%
Deferred	40%
Spread over (years)	5
Cash	50%
Conditional Cash	50%

	01-04-18	01-04-19	01-04-20	01-04-21	01-04-22	01-04-23	01-04-24
Upfront							
Cash	30%						
Conditional cash		30%					
Deferred							
Total deferred granted		8%	8%	8%	8%	8%	
Cash		4%	4%	4%	4%	4%	
Conditional cash			4%	4%	4%	4%	4%
Total cash-flow profile	**30%**	**34%**	**8%**	**8%**	**8%**	**8%**	**4%**

Exception for variable remuneration below 75,000 euro

The BNB's current administrative circulars authorize an exception to this rule for members of the Identified Staff whose variable remuneration is lower than 75,000 euro.

Malus and Clawback framework

The Bank’s malus and clawback provisions allow the Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the already paid/vested variable remuneration recovered in certain situations.

AXA Bank Belgium will reduce the parts of the variable remuneration that are not yet paid or acquired of all (possibly former) Identified Staff (malus) if AXA Bank Belgium has a decreased or negative financial return on investment or if one of the following situations is discovered:

- the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- the Identified Staff is involved with practices that have led to considerable losses for AXA Bank Belgium or is responsible for such practices;
- the Identified Staff is involved with a special mechanism that has as its purpose or effect the promotion of fiscal fraud by third parties;
- any circumstance that implies that the payment of the variable remuneration constitutes an infringement of the good remuneration policy of AXA Bank Belgium or of the risk management strategy or of its limited to medium risk profile.

AXA Bank Belgium will reclaim the variable remuneration that is already paid or acquired of all (possibly former) Identified Staff (clawback) if AXA Bank Belgium has a decreased or negative financial return on investment or if one of the following situations is discovered, and this within three years following the payment or, if the case may be, the acquisition of the variable remuneration:

- the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- the Identified Staff is involved with practices which have led to considerable losses for AXA Bank Belgium or is responsible for such practices;
- the Identified Staff is involved with a special mechanism having as purpose or effect the promotion of fiscal fraud by third parties

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

In case of dismissal for misconduct (or for employees that already left AXA Bank Belgium or its affiliated enterprises, the conduct that would have led to a dismissal if it were discovered while the staff member was still employed) and particularly when there is a breach of risk management procedures or a breach of the compliance or conduct rules or dissimulation or an action that resulted in a distortion of the conditions under which the variable remuneration which was initially allocated were set, all or part of the rights to the deferred parts of the initially allocated variable remuneration shall immediately be lost (“malus”) and all elements of variable remuneration already paid shall possibly be reclaimed (“clawback”). This principle will be entered into each plan that will be submitted to an Identified Staff member for approval.

Specific rules relating to variable remuneration of Identified Staff employed within intermediation and ALM activities.

The variable remuneration pool is determined every year, based upon internal and external benchmarks. The pool is impacted by the achievement of AXA Bank Belgium’s targets and also by the achievement of the targets of the Head of Treasury & Intermediation and the Head of ALM. The distribution of the pool among the employees concerned is at appreciation of the management, and is based on the achievement of the individuals’ respective quantitative and qualitative objectives set at the start of the year, including the strict respect of risk limits and controls.

Specific rules relating to variable remuneration of independent control functions

The above mentioned principles of remuneration are similar for category 4 of the Identified Staff, namely persons occupying independent control functions (and including the Chief Risk Officer); with the following exceptions:

- AXA Bank Belgium's performance is not taken into account for determining variable remuneration effectively paid.
- Non-deferred variable remuneration is wholly and exclusively determined based on specific individual criteria associated with the position (individual performance).

COMPENSATION IN THE EVENT OF CONTRACT TERMINATION

Without prejudice to the application of legal and regulatory provisions and agreements binding the company, severance payment that might be agreed with a person affected is determined so as not to reward failure or irregular behavior.

For salaried members of staff, AXA Bank Belgium ensures to respect the application of the legal provisions.

If an agreement relating to granting severance pay is concluded with a non-salaried director, the total of the payments granted shall not exceed 12 months of fixed and variable remuneration. An opt-out clause is only possible on the condition of a reasoned opinion from the remuneration Committee and prior approval from the General Meeting.

GOVERNANCE OF THE REMUNERATION POLICY

AXA Bank Belgium has a long-term remuneration plan, the rules of which are determined by the remuneration policy. These rules may be adapted regularly, notably depending on decisions taken at the level of the AXA Bank's Board of Directors and the evolution of the (inter)national regulatory framework.

The Executive Board has decision-making competence concerning the establishment of the remuneration policy and decision-making relating to the individual remuneration of the persons affected. In this domain, it is assisted by 2 committees: the Remuneration Committee and the Risk Committee.

The Remuneration Committee actively contributes to implementing the remuneration policy. It consists of non-executive directors, at least one of whom is independent in the sense of the Companies Code. It is composed so as to allow it to exercise pertinent and independent judgment on remuneration policies and practices, and on the incentives created regarding the control of risks, equity requirements and the liquidity position.

The work of the Remuneration Committee consists in proposing, in the form of advice and in accordance with the remuneration policy, decisions to be taken by the Executive Board relating to remuneration principles and procedures. It is also entrusted with preparing decision to be taken by the Executive Board, taking into account the repercussions on the company's risk and risk management on the one hand and the long-term interests of shareholders, investors and other stakeholders in the institution on the other, as well as the public interest.

The remuneration policy may be revised by decision of the Executive Board on a proposal from the Remuneration Committee at any time, and notably in the event of legislative amendment associated with labour, accounting and tax law, as well as in the event of the rules of governance changing.

Its implementation is subject, at least once a year, to an internal assessment aiming to verify whether it respects the remuneration policies and procedures adopted by the Executive Board. If need be, the Remuneration Committee will make adaptation proposals that are imposed.

The Risk Committee, consisting of non-executive directors, at least one of whom is independent in the sense of the Companies Code, examines whether the incentives provided by the remuneration system take into account the appropriate manner of risk control, equity requirements and the liquidity position of AXA Bank Belgium, as well as the probability and staggering of profits, so as to ensure sound and efficient management of risk, preventing risk-taking exceeding the level tolerated by AXA Bank Belgium.

QUANTITATIVE INFORMATION ON REMUNERATION AWARDED TO IDENTIFIED STAFF FOR THE FINANCIAL YEAR 2018

Total Remuneration of Identified Staff in 2018 (Excluding non-executive board members compensation)

The quantitative information set out below concerns the remuneration awarded for the year 2018 to Identified Staff within the meaning of CRDIV and the Belgian banking law, but does not reflect remuneration awarded to other employees:

Business Area*	Number of People Concerned	Amount of Total Compensation	Amount of Fixed Compensation	Amount of Variable Compensation Awarded
CEO	5	1 179 535 €	953 397 €	226 139 €
Affluent & Distribution	3	602 075 €	433 391 €	168 684 €
Credits	4	820 924 €	615 162 €	205 762 €
Risk & Compliance	6	848 364 €	654 824 €	193 540 €
Retail & Transformation	3	639 466 €	497 962 €	141 504 €
Finance	2	867 692 €	633 487 €	234 205 €
Total	**23**	**4 958 056 €**	**3 788 222 €**	**1 169 834 €**

*The business areas are based upon the customer journey business model of AXA Bank

Structure of the variable component of remuneration

		Fixed remuneration	Variable remuneration	Sign-on payment	Severance payment		
					Paid	Awarded	Highest awarded
Executive Board Members	**Amount (euro)**	1 851 706 €	674 524 €	- €	- €	- €	- €
	# people concerned	6	6	0	0	0	0
Higher management *(beyond executive directors)*	**Amount (euro)**	1 272 216 €	336 228 €	- €	- €	- €	- €
	# people concerned	9	9	0	0	0	0
Other Identified Staff	**Amount (euro)**	664 301 €	159 082 €	15 000 €	30 500 €	- €	- €
	# people concerned	8	8	1	1	0	0

	Forms of variable remuneration (awarded)				Outstanding deferred remuneration		Deferred remuneration		
	Cash	Shares	Share linked instrum.	Other types	Vested	Unvested	Awarded	Paid out	Reduced
Executive Board Members	337 262 €	N/A	N/A	337 262 €	284 804 €	1 082 991 €	269 810 €	81 600 €	-
Higher management *(beyond executive directors)*	310 483 €	N/A	N/A	25 744 €	42 032 €	319 483 €	20 595 €	-	-
Other identified staff	159 082 €	N/A	N/A	N/A	46 058 €	200 572 €	-	-	-

*Conditional Cash

Number of MRT employees whose total remuneration for 2018 exceeded 1 million euros

Total compensation	Number of MRTs for the year 2018
Between 1 million euro and 1.5 million euros	0
Between 1.5 million euros and 2 million euros	0
Between 2 million euro and 2.5 million euros	0

Directors with external mandates

AXA senior manager as from 31/12/2017	Position at AXA Bank Belgium (ABB)	Company where the external mandate is carried out	Registered office	Business sector	Registration on regulated market	External position held	List of shareholders with more than 5% ABB
Patrick Keusters	Independent director and Chairman of the Audit Committee	Tribeca AIFM	Avenue Louise 65 bte 12 1050 Brussels Belgium	Investment company	No	Non-executive director	No
		Orcadia Asset Management SA	13, rue de l'Industrie, L - 8699 Windhof GD Luxembourg	Investment company	No	Non-executive director	No
		Stoll Security SA	Z.A.R.E. Ilot Ouest L 4384 Ehlerange Luxembourg	Security	No	Non-executive director	No
Philippe Rucheton	Independent director and Chairman of the Risk Committee	Bernard Controls SA	4, rue d'Arsonval BP 76091 95505 Gonesse France	Electrical and mechanical	No	Non-executive director	No
		Société générale SFH	17 cours Valmy 92800 Puteaux France	Housing financing company	No	Non-executive director	No
		Société générale SCF	17 cours Valmy 92800 Puteaux France	Mortgage company	No	Non-executive director	No

Annex

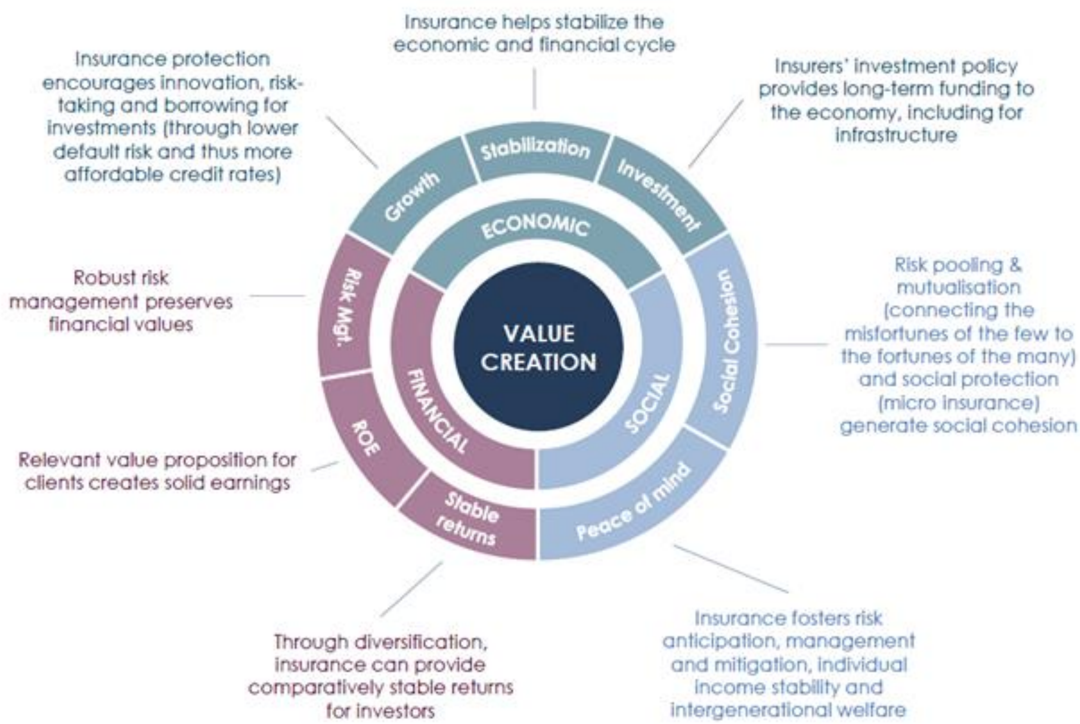
Annex: Corporate Responsibility

7.1 Introduction

This chapter describes our Corporate Responsibility (CR) Strategy in accordance with the provisions of the EU Directive 2014/95 ("Non-Financial Reporting" directive). In-depth information on the AXA Group's Corporate Responsibility-related policies and practices is also available in the "Integrated Report", in the online "Social Data Report" and on the AXA Group's website (www.axa.com), in particular in the "Corporate Responsibility Section".

SUSTAINABLE VALUE CREATION

AXA's business is to protect people over the long-term, by better understanding, selecting, quantifying and managing risks. We do so by operating at the intersections of economy, finance and society. Insurance creates value along these three dimensions.



In doing so, we are not only contributing to global economic growth but also ensuring social stability, in line with our ambition to "Empower People to Live a Better Life". This approach is inherent to our business and it also drives our CR strategy. For more information on AXA's business model, please refer to Chapter 1 - "Business overview" and Chapter 2 - "Activity report and capital management."

AXA's Corporate Responsibility Strategy

Our CR strategy is an essential driver of employee engagement, customer trust and brand image. CR is also a risk/opportunity management concern: it enables AXA to reduce certain costs and business and operational risks, while providing market opportunities in emerging or future commercial segments. Our CR strategy is focused on the core topics of climate change and environment, health risk prevention, social inequalities & inclusion and using data for social good, while continuing to address broader environmental, social and societal concerns.

- Climate Change and the environment: AXA reduces its own carbon footprint and leverages its core business of insurance and investment to help better face climate risks;
- Health risk and disease prevention: as a trusted partner of our clients and with our expertise as risk managers, we develop our health risk prevention efforts to achieve positive outcomes for public health;
- Social inequalities & inclusion: as an insurance company, we aim to provide protection and risk prevention to under-served populations, thereby contributing to global socio-economic development;
- Responsible data and Artificial Intelligence (AI): data and AI can be a force for good, especially when it gives us an opportunity to protect our customers' risk knowledge data by reinforcing cyber-security. We will notably "give back data" to our customers and society for public good.

In 2018, the Group also developed a new "CR Framework" to identify future topics for engagement which takes into account the "Sustainable Development Goals" (UN SDGs), a UN-level vision. The UN SDGs are a set of 17 global goals developed by the United Nations General Assembly in 2015, covering social and economic development issues including poverty, hunger, health, education, global warming, gender equality, water, sanitation, energy, urbanization, environment and social justice. The full framework is described in the following website: sustainabledevelopment.un.org.

The UN SDG framework is also matched with internal expertise. The topics identified are then screened with the help of a "business case" filter which notably ensures AXA invests efforts on topics on which it can truly have an impact. This process enabled us to identify biodiversity loss and the twin epidemic of obesity and diabetes as key areas for action going forward. While the Group has not developed its sustainability strategy based on the UN SDG framework, and this work is still underway, the following pages highlight correlations between some CR initiatives and certain UN SDGs.

AXA is also committed to be a responsible employer, striving to maintain employee engagement at the core of our business strategy and to create a workplace inspired by our values, which fosters diversity and equal opportunities for all, promotes employee participation, encourages professional development and supports employee well-being.

CR governance & Stakeholder dialogue

AXA has established a robust governance framework to develop and implement its CR Strategy. Every year, the Board of Directors' Compensation and Governance Committee examines the Group's CR strategy. Moreover, the Group Management Committee reviews the CR strategy at least once a year. On a local entity level, a network of “Chief Corporate Responsibility Officers” is responsible for coordinating the CR strategy and promoting best practices. The CCROs are supported by local CR teams.

AXA also leverages its Stakeholder Advisory Panel to better evaluate future topics of interest. Indeed, in 2014, AXA created a Stakeholder Advisory Panel to advance the company's role as an insurer in building a stronger, safer and more sustainable society. Twice a year, it gathers senior external and influential figures who are collectively representative of AXA’s stakeholder groups, as well as AXA’s top management and members of our Board of Directors.

The Panel is designed to provide an informal forum for in-depth discussions on global trends shaping the world by addressing a mix of business and sustainability issues. For example, the topics reviewed in 2018 included the AXA Research Fund’s strategy, the “Future of Learning”, AXA’s innovation strategy, the “Circular Economy”, our new CR framework for engagement, with an in-depth discussion on biodiversity and the twin epidemic of obesity and diabetes, AXA’s Health strategy in Africa, and the “Future of Trust”. External panelists are encouraged to provide long term views on AXA business and challenge its strategy with a CR perspective. It enables AXA to maximize its positive impact on clients and on the communities in which it operates. Full information about the Stakeholder Panel is available here: www.axa.com/en/about-us/stakeholder-advisory-panel.

More generally, AXA has developed a culture of stakeholder dialogue by working closely with a number of civil society partners, with a view to strengthen its risk assessment (AXA’s stakeholders being defined as individuals or groups affected by its business operations, or who may affect the group’s performance or the environment in which it operates – such as our clients, shareholders and investors, employees, suppliers, as well as governments and community groups).

Sustainability Risk Assessment

As required by the EU Non-Financial Directive, AXA conducted an internal risk assessment to identify its main sustainability risks. These risks were grouped into the following main categories: social risks, human rights risks, environmental risks and risks related to business conduct.

These risks were correlated to the following impacts on AXA’s business: financial (impacting our profit bearing capacity), employee (impacting our Human Resources), reputational (impacting our brand image), operational (impacting our capacity to carry out our daily business operations) and environmental (impacting our investments, insurance or operations on environmental concerns).

To identify these material risks, a risk assessment methodology was developed by a transversal working group featuring Group Legal, Group Corporate Responsibility, Group HR, Group Risk Management and Group Communications. The teams assessed the materiality of sustainability risks, based on their severity and frequency. These risks were compared to several impacts on AXA’s business, notably financial, employee (e.g. talent attraction), reputation, operational (e.g. business continuity) and environmental impacts.

The results were then cross-referenced with the AXA Group Operational Risk Profile (for more information on operational risks, please refer to Section 4.7 "Operational risk") as well as AXA's Emerging Risks Survey, which outlines major emerging risks for society at large (for more information on emerging risks, please refer to Section 4.8 "Other material risks"). The most material risks are also compared to the Dow Jones Sustainability Index' evaluation to integrate a third-party analyst view. Based on this methodology, the following risks were identified:

- Social Risks. The issues identified are: responsible employment practices, social dialogue and working conditions; employee development; talent attraction and retention. See Chapters 7.2 and 7.4 for further information;
- Human Rights risks-related issues identified are: "inclusive" insurance solutions; customer protection; customer data; and preventing human rights violations within our supply chain. More information on these risks can be found in Sections 7.4, 7.5 and 7.6;
- Environmental risks relate to environmental and climate change-related issues, developed in Section 7.3;
- Societal risks-related issues include addressing the UN Sustainable Development Goals; partnerships and philanthropy; stakeholder engagement practices. See Section 7.4 and CR governance & stakeholder dialogue for further information;
- Fair business practices-related issues include ensuring our suppliers and contractors meet CR requirements; fighting bribery, corruption and tax evasion. See Sections 7.5 and 7.6.

AXA XL, our new Commercial Lines entity

AXA acquired the XL Group in September 2018, and merged it with existing AXA teams to create AXA XL, a new entity focused on P&C Commercial Lines. AXA XL was not included in the Sustainability Risk Assessment described above but is nonetheless gradually integrated into AXA's policies and processes, including our social and environmental reporting processes (the social and environmental data published in this report integrates XL Group data for the last quarter of 2018). AXA XL applies the Group's underwriting restrictions (coal, tobacco, etc.). Notable initiatives include the "Ocean Risk Initiative", launched in 2017 to highlight the implications of ocean-derived risks and develop cross-sectoral solutions that help to build resilience at local, regional and global levels. It is underpinned by thought leadership projects, industry responses to ocean risk, and educational resources for schools. AXA XL has also implemented an environmental management system, and offsets its global travel emissions through the purchase of carbon credits with The Nature Conservancy. Finally, AXA XL employees are encouraged to invest in their local communities through employee volunteering and philanthropy programs. In 2018, over 5,000 employees (out of a total number of 7,500 employees) participated, and over $4 million were donated to communities around the world.

Ratings

The Group's environment, social and governance (ESG) performance is evaluated by specialized rating agencies. The Group generally ranks close to the top in its industry and is also included in main international sustainability indices. These ratings are described in further detail under Chapter 1.

Reporting certification

PricewaterhouseCoopers Audit, one of AXA SA's Statutory Auditors, appointed as an independent third party, presents in its report, featured in this Annual Report, their reasoned opinion on the compliance of the consolidated non-financial information statement disclosed in the Company's management report prepared for the year ended December 31, 2018, with the French regulation, as well as on the fairness of the information.

Reporting methodology

An assessment of the social, environmental, societal, business conduct and human rights impacts of the Group's activities has enabled the appropriate performance indicators to be defined in accordance with the requirements of the French Commercial Code.

Scope of social indicators

The social data provided for in section 7.1 are collected from 315 active entities of the AXA Group, all included in the consolidation scope of AXA (i.e. fully consolidated for the preparation of the consolidated financial statements as of 31 December 2018, in other words, the subsidiaries in which AXA holds, directly or indirectly, management control). Except for a few entities which may pre-consolidate data on a local level, the social indicators are consolidated at Group level.

The scope corresponds to legal entities (companies and/or organizations) which AXA owns, as of the end of year, directly or indirectly with at least 50% of the capital or voting rights. This scope is updated annually following potential acquisitions / mergers or business disposals. 315 active legal entities reported their 2018 social data. Therefore the subsidiaries that were financially consolidated during the reporting year or whose employees were incorporated during the reporting year are included in the 2018 scope (e.g. XL Group).

Scope of environmental indicators

The environmental data provided for in Section 7.3 – "Own operations" are collected from 81 entities, in accordance with the same rules used to define the scope of the social indicators (i.e. subsidiaries that are consolidated using the full consolidation method as at 31 December 2018). AXA sites with fewer than 50FTEs are not included in the data collection, but are part of an extrapolation process. In 2018, environmental indicators were collected for 101,977 FTEs working on AXA sites (unless otherwise indicated) and were then extrapolated, continent by continent, to cover all 124,355 salaried FTEs (all types of contracts, including XL Group, for which FTE data was included on a pro-rata basis for Q4 2018) working at AXA Group in average in 2018.

Section 7.3 also describes the manner in which AXA strives to integrate environmental issues into our business, as an insurer and an investor. The perimeter of our responsible investment strategy (which includes climate finance) covers our General Accounts assets, while our climate-related insurance activities cover essentially our P&C Commercial Lines business.

Scope of societal indicators

Our Community Investment Survey, as described under chapter 7.4, covers 73% of AXA's FTEs.

Consolidation method and guidelines

For the scopes defined above, indicators are 100% consolidated, unless otherwise indicated. In order to develop its CR Strategy and disclose its non-financial performance, AXA voluntarily complies with some international guidelines as specifically indicated in the relevant paragraphs of this Chapter 7. These guidelines include for example the Greenhouse Gas Protocol (ghgprotocol.org) for CO2-related KPIs. Other guidelines are highlighted where appropriate.

Period

The indicators cover the period from January 1 to December 31, 2018, unless mentioned otherwise (e.g. XL Group data were included on a pro-rata basis for Q4 2018). The data are collected at December 31 each year as a status report at the date or at the end of the period under consideration. To facilitate their collection and processing, some data may be collected earlier in the year. The data for any remaining months (maximum 6 months) is then estimated in accordance with the assumptions set out in the description of the indicators/pre-established assumptions.

Data collection

The social data provided for in Section 7.2 are collected through a reporting process defined by procedures associated with a list of indicators shared with all entities of the AXA Group. This process is updated and communicated to each entity on a yearly basis. Social data are provided by local correspondents into an IT tool dedicated to the social data reporting process. Consistency checks and quality controls are carried out before and during the data collect process. There is no estimation or extrapolation made on the data provided. Regarding data published in ratios and percentages, numerator and denominator are realigned for each calculation to exclude entities with empty data points. The social data from XL Group are integrated into the Group's headcount, compensation and new hires data, but not for absenteeism, accidents and training.

As explained above, environmental data is collected from AXA sites with more than 50 FTEs as well as AXA-owned data centers. Environmental data contributors are required to gather all the relevant data into a dedicated reporting tool. For each site, contributors specify whether data has been measured or estimated based on the calculation rules defined in the Group's reporting procedures. In 2018, environmental data was collected for 82% of our total FTEs, and the remaining 18% was extrapolated. For AXA-owned data centers, 100% of the data is reported on actual basis (no extrapolations). Please refer to chapter 7.3 / Environmental reporting process and verification as well as perimeter notes below our environmental data table for further information. Environmental data and more generally policies regarding our investments and insurance business is handled by various teams including Group Investments, Group Corporate Responsibility and Group Insurance Office.

Regarding societal data, please refer to section 7.4 / "Community investment". Notably, the number of unique volunteers is an estimate based on local entity knowledge of volunteering activities.

Methodological precisions and limitations

Reporting on certain indicators may have limitations due to:

- the absence of nationally and/or internationally recognized definitions, in particular concerning the different categories of employment contracts;
- the necessary estimates, the representativeness of the measurements made or the limited availability of external data required for calculations;
- the practical procedures for collecting and entering this information.

Therefore, whenever possible, definitions, methodologies and, where applicable, the associated margins of uncertainty are specified for the concerned indicators.

Methodology and Reporting Scope: Business Behaviour

Over the year 2018, AXA has provided in-depth information related to policy and governance of the main risk linked to business behavior. Specific to these, AXA has developed robust internal processes and has implemented necessary policies as well as Key Performance Indicators to measure their effectiveness.

However for some specific risks such as Corruption, Customer Protection, Human Rights and CR requirements related to Responsible Procurement, the current disclosure includes internal policies, framework and due-diligences measures implemented by AXA. These are described in section 7.5 Business Behavior and 7.6 Vigilance Plan. In line with EU Non-Financial Directive requirements, the Group has been working towards the development of Key Performance Indicators for these specific topics as part of its 2019 non-financial disclosure.

7.2 Social information (1)

Foreword

AXA strives to be a responsible employer, placing employee engagement at the heart of its business strategy. Achieving this ambition has meant creating a workplace built on AXA's values, which foster diversity and equal opportunities for all, promote employee participation, encourage professional development and support employee well-being. For additional and more comprehensive information, refer to "About Us" and "Career pages" on www.axa.com.

It is generally known that social and economic changes will increase the share of diversity at work. Digital will enhance multiple customers interactions and provide more information upon which to make decisions. Technology and data advancements will allow machines to take over labor-intensive tasks so to improve working conditions and to shift people contribution to more value-added activities. Climate change will impose private corporations to adopt more environmentally friendly policies and continuous progresses in medical research will extend life expectations leading to a later retirement.

Therefore, AXA is committed to analyze those trends, to anticipate and adapt its employer proposition and practices accordingly and develop our people to new ways to perform our business.

To achieve our purpose ("we want to empower people to live a better life") and reveal the potential of our employees, we are committed to creating a workplace built on our values, a workplace which:

- Fosters diversity as it breeds performance and innovation, promotes equal opportunities for all and creates the conditions for everybody to express his / her full potential at work;
- Encourages employees' participation in the decision-making process and enable them to take risks;
- Provides best in class solutions and opportunities to maintain employability and encourages continuous learning and professional development;
- Promotes a generational mix at work;

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(1) Methodology note: The social data communicated here are collected through a reporting process defined by procedures associated with a list of indicators shared with all entities of the AXA Group. This process is updated and communicated to each entity on a yearly basis. These indicators represent the data of 315 active entities of the AXA Group (few entities may pre-consolidate data on a local level). The perimeter is updated annually following potential acquisitions / mergers or business disposals. These indicators are reported for the period between 01/01/2018 and 12/31/2018, unless mentioned otherwise. Evolutions are measured with ratios between 2017 and 2018 end-of-year data. The data are provided by local correspondents into an IT tool dedicated to the social data reporting process. Consistency checks and quality controls are carried out before and during the data collect process. There are no estimations nor extrapolations made on the data provided. Regarding data published in ratios and percentages: numerator and denominator are realigned for each calculation to exclude entities with empty data points.

- Promotes the balance between work and life and safeguards health of people at work.

To confirm the relevance of our proposition and its adequate global execution, we have established a continuous dialogue with our people who have the responsibility to spot potential misalignments and suggest the management actions to repair. Regular employee engagement surveys are managed across the organization.

WORKFORCE AT A GLANCE

AXA's overall salaried workforce on December 31, 2018, was 125,934 employees (open-ended and fixed-term contracts), which represents an increase of more than 8% compared to 2017. This increase is mainly due to the acquisition of the XL Group, which has a global footprint, representing some 7,400 employees.

HIGHLIGHT & KEY FIGURES: gender and business distributions (*)

	Non-sales	Sales	Total
Women	55,449	8,566	64,015
Men	47,394	8,371	55,765
Total	**102,843**	**16,937**	**119,780**
Women Proportion	***54%***	***51%***	***53%***

(*) open-ended contract headcount only

In terms of geographies, the footprint of AXA's salaried workforce in 2018 was: 56.6% in Europe (-2.5 points compared to 2017), 22.5% in Asia-Pacific (+1 point compared to 2017), 15.5% in the Americas (+1 point compared to 2017) and 5.4% in Africa (+0.5 point compared to 2017).

HIGHLIGHT & KEY FIGURES: geographical footprint distributions (*)

Continent	Headcount	Distribution
Europe	71,260	*56.6%*
Asia-Pacific	28,322	*22.5%*
Americas	19,580	*15.5%*
Africa	6,772	*5.4%*
Total	**125,934**	

(*) open-ended and fixed-term contract headcount

AXA continued to recruit in 2018 and hired more than 17,400 employees on open-ended contracts (excluding entries due to mergers and acquisitions), of which more than 4,200 were sales employees.

For further details on the above figures and a comparison between 2017 and 2018, please refer to the tables at the end of section 7.2.

SOCIAL CHALLENGES OUTLOOK

In accordance with the EU Non-Financial Reporting Directive, the AXA Group has identified three main potential social risks:

- Not maintaining sustainable and responsible employer practices everywhere through an ambitious employer value proposition and continuous social dialogue;
- Insufficient growth and development opportunities, limited internal and external employability and skills becoming obsolete in a disrupted business environment;
- Not attracting, retaining and managing talents because of inability to build an inclusive and engaging environment.

Those have been identified through working groups with AXA Group experts from different departments and also on internal documentation that AXA, as a mature insurance company and an expert in the management of all kind of risks, has been improving over the past years. They consist of documents developed by Group Risk Management (Operational Risk Grid) and by Group Human Resources (HR) departments (Pager on AXA HR ambition and roadmap, and AXA HR Group Standards). AXA's Human Resources teams are regularly involved with Corporate Responsibility teams to answer to external stakeholders' (Non-Governmental Organizations, Rating Agencies, press, etc.) requests regarding the responsibility and sustainability of social practices.

The AXA Group globally, and AXA Human Resources professionals in particular, are all committed to mitigate those potential social risks.

EMPLOYEE RELATIONS AND WORK CONDITIONS

Maintaining sustainable and responsible employer practices and fostering social dialogue and work conditions are priorities at AXA. Over the past years, AXA, as a mature organization, implemented processes and instances that let the social dialogue and work conditions develop in its different entities globally.

A continuous and established social dialogue

AXA is committed to building an environment where the voices of employees are heard (through employee engagement surveys amongst others), and actions are taken to ensure they remain engaged. AXA is a United National Global Compact signatory and is committed to uphold the right to freedom of association and collective bargaining. Labor-management communications and social dialogue pave the way for the stability required to implement the Group's business development strategy. Each AXA entity, therefore engages with staff or their representatives for communications on a regular basis. AXA has also set up a European Works Council (EWC), whose extensive role goes beyond regulatory requirements.

In Europe, a first labor agreement was signed at AXA in 1996. In June 2009, a Group EWC agreement (available at www.axa.com) was concluded to guarantee a high level of social dialogue and that cover the majority of Group's employees. AXA holds two EWC plenary meetings a year – gathering 50 employee representatives from European countries, and chaired by AXA's CEO - as well as monthly sessions, held by 12 members of the EWC, to stay abreast of labor and economic developments in each country.

Other affiliates outside the scope of the EWC have also developed social dialogue agreements, but these are not monitored at Group level. More generally, beyond Europe, the Group strives to ensure that employees are fairly represented in all major countries where it is present. Sessions of exchange are planned regularly during the year between the Group and local Heads of Social Relations.

Responsible work conditions respecting work-life balance

AXA is committed to helping its clients and its employees to live a better life, which includes a better life at work and work-life balance.

Work conditions form a significant part of AXA's overall employee value proposition. It is part of the Group's responsibility to build an inclusive work environment hence operating as a source of personal fulfillment. AXA has implemented programs on preventing stress at work, and promoting mental health and wellbeing. The Group is also working on building an inclusive workplace environment through the New Way of Working (NWOW) approach: an environment that sustains different forms of flexible work arrangements (teleworking, part-time work, hot desking, desk sharing, flexible hours, compressed work week) and respects the work-life balance. 8 countries have deployed all or part of the NWOW approach across several campuses. As of end 2018, at AXA France, 3,706 employees were practicing teleworking while 2,200 employees were experiencing other aspects of NWOW. In Belgium, 3,155 employees are encouraged to do 2 days teleworking per week. In Spain, at AXA Spain 63% of employees (more than 1,700 individuals) benefit from a "smart working" model.

Also, in terms of work-life balance, AXA is committed to supporting working parents globally. In January 2017, AXA launched a Global Parental Policy which gives all AXA employees across all countries where AXA operates the same rights and opportunities when expanding their family: a minimum of 16 weeks fully paid maternity/primary parent leave and 4 weeks fully paid paternity/co-parent leave, respectively. The number of maternity / paternity-absence-related days has globally increased by 8% compared to 2016 with a more significant impact on sales population (+17%) compared to 2016. The Global Parent Policy had a major impact in some countries where local benefits were not as generous as in Europe. For illustration, in India, in the AXA Business Services entity, the number of maternity / paternity-absence-related days tripled in 2 years (from 5,100 days in 2016 to 15,600 days in 2018) and in US at AXA Equitable, the number increased by more than 60% over the same period.

Secured and processed work conditions

As a responsible insurer and employer, it is in AXA's DNA to protect all its personnel as per international best practices, under the legal requirements of "duty of care" and "duty of vigilance" and in three major dimensions:

- "Physical security": protection of employees from intentional threats (crime, terrorism, political and social instability);
- "Health & safety": protection of personnel from hazard and accidents (fire, pandemics, natural disasters, etc.);
- "Crisis management": when an incident requires extraordinary processes to be managed.

In that context, the "Physical security" Group Standard is implemented across AXA since 2014, enabling to create a consistent approach for physical security in all entities, based on the locally identified risks, which are rated by external providers. The framework focuses on the operational procedures to mitigate risks for personnel during working hours, when travelling, or during an expatriation. It also enables to limit the impact of incidents and crises, when they occur. This Standard is applicable in the whole AXA Group and CEOs of entities are accountable for applying it.

Maturity improvements are being monitored every quarter based on 20 points of control, in line with the objectives set by Group Management Committee.

These objectives cover the entire AXA Group and are the followings:

- Implementing a minimum baseline for physical security;
- Having a particular focus where risks are the highest.

All improvements are controlled through evidences and on-site visits from the AXA Group central teams.

The baseline defined by Group Security has been implemented in 90% of the Group as of end 2018 – in line with Group Management Committees objectives. The objective is to have 100% of the Group aligned and to reach higher maturity levels according to risk levels. The management of physical security is reflected through the global absenteeism rate of 5% in 2018 for salaried workforce and with the low proportion of absences due to work-related accidents, stable at 2%.

LEARNING ENVIRONMENT AND SKILLS MANAGEMENT

In an unpredictable business environment, with the emergence of new risks and competitors, AXA needs to ensure that its business, organization and people are ready to face new challenges. The insurance sector is changing fast as technologies and customers' expectations disrupt the market. Therefore, business and support functions need to constantly adapt to the environment, which opens plenty of opportunities for AXA people to enhance their skills-set. Learning is more than a key lever to enable employees to grow and develop the skills of the future. A lack of career, skills and talent management, in a highly-competitive environment, could impact AXA's competitiveness.

Talent and skills management frameworks aiming at attracting key talents

A standard performance management process has been set up and must be used by each AXA entity to cover 100% of its employees, at least once a year.

This process is tightly linked to AXA's remuneration policy that aims to support the Group's long-term business strategy - incorporating AXA's Dow Jones Sustainability Index "DJSI" - results in the calculation of AXA's Long-Term Incentives for 10% of the grant weight) and to align the interests of its employees and other stakeholders.

The remuneration policy approach is to attract and retain the best skills and talents, to foster employee engagement and to strengthen AXA's leadership. Besides, benefits form a significant part of AXA's overall employee value proposition. AXA's policy is to target benefits coverage at a minimum level of the median of the relevant market. Benefits should include pension, healthcare and protection covers.

Through the Organization and Talent Review (OTR) that is in place since 2005, AXA performs a systematic review of the organization structure required by its current business and its future needs. OTR is the review of the senior leadership roles in all AXA markets and functions. Commitments, embedded in recruitment, talent, performance and learning and development processes, have been taken to guide the way AXA employees work and interact with each other and take the management of their career in their own hands. AXA ambitions to act on 5 key dimensions of the employee lifecycle:

- Employer brand, to continue attracting the workforce of tomorrow, and integrate candidate satisfaction in our recruitment strategy, both internally and externally;
- Resourcing, where qualified professionals are enablers of the decision making in the business;
- Manage the performance of our employees and grow high potentials, by putting in place systemic performance and talent reviews and by understanding the competencies and skills needed for today and tomorrow;
- Employee development, to offer differentiating learning and development actions to employees; and
- Leadership management, to ensure current and future leaders, as well as High Potential profiles get the continuous support they need to lead and transform our business and culture.

An ambitious and global learning and development offer

AXA's talent, performance, learning and development objectives focus on building the organization of tomorrow and transforming AXA into a self-learning organization in which people learn continuously in the flow of work, individually and collectively, from mistakes, feedback, setbacks and challenges, and are able to not only learn, but also unlearn and relearn continuously. One of the pillars of this transformation is a seamless digital ecosystem with the Global Learning Management System being its backbone and its accessibility to approximately 154,000 employees and distributors worldwide across 55 business units as of the end of 2018. AXA is also committed to developing its managers in the areas of leadership, integrity, collaboration and empowerment of their teams.

AXA focuses on delivering new digital learning experiences to foster a self-learning organization, leveraging on the latest approaches and technologies.

- The partnership signature with Coursera offers over 550 courses on critical skills to all AXA employees with university certificates recognized on the market. In 2018, more than 7,800 employees have started a course and 2,400 have been certified. Overall, we have reached a total level of 19,000 courses started, i.e. more than 85,000 training hours delivered;
    - After only one year of partnership with Coursera, this provider represents more than 80% of AXA's total digital learning time, doubling from 2017,
    - We also note that around 50% of learners on Coursera have more than one certificate.
- The sharing of a common virtual off-the-shelf learning offer, called “Click & Learn”. AXA Employees can select courses according to the time they can allocate, through more than 600 modules covering Leadership, Management, Workplace and Personal excellence topics. Around 48,000 “Click & Learn” courses have been launched and more than 30,000 are completed;
- The effort made by AXA to develop the skills of the future for its people is a reality, as 50% of digital learning time was spent on hard skills such as Data science (30%), Artificial Intelligence and Machine learning (7%) and other hard skills (14%). More than 10,000 courses, representing 30% of digital learning time was spent on personal development and soft skills topics (communication, interpersonal relationships and resilience, leadership, empathy, dealing with stress, productivity, and others);
- AXA's competencies development is now impacting almost all employees. The number of training days of salaried workforce remained stable (327,000 days in 2018 vs. 330,000 days in 2017). However, with 97% of its employees trained at least once a year, it is a very significant increase compared to last year (+13 points compared to 2017);
- In 2018, more than 25,000 people worldwide downloaded the supporting application and took part to the AXA Learning Games, which consisted of several challenges and events to make AXA's people more sensitive to learning topics. The time spent on learning during the AXA Learning Games went up by 100% and we saw an impressive increase in time spent on courses that were promoted during the Learning Games. This result confirmed the Group's hypothesis that proper marketing of our learning offer can have a large impact on the learners.

AXA's people, empowered to manage their career

AXA established Group-wide mobility policies and processes and enabled Group-wide posting of internally and externally available jobs. All vacant jobs are advertised internally, within one global recruitment platform adopted by AXA's entities representing 80% of AXA's Full-time equivalents. This makes the mobility opportunities for our employees immediately visible, thereby helping AXA better source the right people for its business needs. International mobility, governed by a globally consistent International Mobility framework and the Centers of Expertise for International Mobility (CEMI), is another important enabler of the organization transformation, as AXA wants to improve the visibility of international offers and allow fuller access to a culture of trust and achievement through direct exposure to new environments.

In 2018, international mobility slowed down, although in the second half of the year the usual dynamic returned. As the result of 2018 the overall volume of employees supported by the CEMI in relations with their international moves remained stable (785 employees supported vs. 788 in 2017). For the third year in a row we keep observing a change in the range of assignments and transfer types. Traditionally, long-term assignments have always been popular, but the declining trend of the previous years continued in 2018 which decreased the portion of this population among active assignees 44% (vs. 50% in 2017). On the contrary, a trend on the rise is Cross-border commuting assignments, which reached an all-time high of 13% of international assignments (vs. 5% in 2016 and 8% in 2017).

DIVERSITY AND INCLUSION BREEDING TALENT AND INNOVATION

To tackle tomorrow's challenges, AXA aims at setting and enriching an environment and culture, which values diversity and inclusion, for its entire people, whatever their profiles are. AXA's workforce should reflect the diversity of the world in which AXA operates, and the middle and top management need to play a central role in reaching those objectives. Indeed, the AXA Group is convinced that diversity and inclusion management are key levers to breed talent and innovation within the organization and to remain a top player of the market.

Diversity and Inclusion ambition and focus on gender balance

As diversity and inclusion are important drivers to breed talent and innovation, attract and retain the best talents and remain the preferred employer of the market, AXA promotes diversity through its recruitment, learning and development and talent management processes. AXA Group has developed a Diversity and Inclusion (D&I) Policy and ambitious commitments to drive initiatives, including public commitments, linked to our Group D&I priorities. AXA's leaders act as advocates for those commitments and are committed to support the Group to: reach gender balance across all levels of the organization; raise awareness on disability; maintain the momentum on the inclusion of LGBT community and embark our senior executives as advocates for D&I.

As of end of 2018, women made up over 53.4% of AXA's sales and non-sales workforce and held 29% of all Executives sales and non-sales positions. Since 2009, AXA has been tracking representation of women among its Top Senior Executives' population.

In March 2018, AXA reaffirmed its priority to reach gender parity by 2023 among Top Senior Executives' population and focused on several actions:

- Ask top management to play a more active role to foster gender diversity - diversity objectives are set to all Top Senior Executives with a clear focus on gender diversity. Diversity in teams is a shared goal for AXA's 150 Top Senior Executives. Management Committee and Partners members are involved in a sponsorship initiative launched in December 2018 targeting 30 talents: 23 women (among them 83% are in operational roles) and 7 men (among them 86% are in operational roles). This sponsorship initiative is a component of two different programs feeding the pipeline of future leaders:

  - Launched in 2014, the "Group Sponsorship Tandem" program was designed to develop female talent across the Group. 42% of the women who have participated in the program from the first three waves got promoted to Top Senior Executive position as of end-2018,
  - Launched in 2017, the "Global Executive Development" program was a 2-year program built for executives, women and men, that the Management believes have the potential to grow into key global leadership positions. 36% of participants of the 2017 wave were promoted to Top Senior Executive positions in 2018, after only 1 year of involvement.

- Strengthen gender balanced talent pipelines and succession plans - AXA entities have been requested to set up local targets of female representation at executive committee level (roughly 300 people) and executive level (roughly 3,000 people);
- In addition, AXA has focused on designing an innovative learning solution to support 10,000 managers worldwide in the transformation journey, with the aim to equip them with key collaboration skills and modern networking leadership skills. The AXELERATE program combines a customized pulse survey (team barometer), mobile learning (pocket coach), large workshops facilitated by AXA managers, peer coaching and online courses. Core topics include AXA transformation strategy, networking leadership, empowerment and agile practices, as well as how to be inspiring as a leader. At the end of 2018, 4,500 managers have already participated in the AXELERATE journey worldwide and AXA targets to train 5,000 more managers in the AXELERATE program in 2019;
- Hire and promote talented women at leadership levels - AXA applies gender equality in recruitment processes. For each opened Senior position, the shortlisted applicants are at least one man and one woman. Recruiter managers are key players in that domain. In 2018, 200 Recruiters have received the Resourcing Academy training across seven major countries but also in International New Markets and in two of AXA major transversal operations (AXA Investment Managers and AXA Partners) which operate in up to 36 countries. D&I are some of the topics that are covered in that program;
- The Resourcing Academy, available to entities subject to their needs, encourages best practice in terms of culture, diversity and inclusion in the selection process.

As of the end of 2018, the gender diversity within leadership teams was the following:

Highlight & key figures: AXA's leadership teams gender diversity

	Management committee	Partners Group	Top Senior Executives
Women	9%	17%	32%
Men	91%	83%	68%
Pool	***11***	***36***	***150***

The Management Committee assists the Chief Executive Officer in the operational management of the Group.

The Partners Group is composed of the members of the Management Committee and approximately thirty other senior executives from across the Group. Its principal role is to assist the Chief Executive Officer and the Management Committee in the definition and implementation of key strategic initiatives.

The Top Senior Executives are AXA's most senior leaders accountable for AXA's long-term strategy, sustainable results and culture. A key strategic initiative has been defined by the Management Committee with the support of the Partners Group: Reach gender parity on Top Senior Executive Population by 2023.

For more information on AXA's D&I Policy in top management, please refer to www.axa.com.

AXA, globally committed with civil society about diversity and inclusion

AXA is also committed with civil society in many dimensions.

In January 2018, AXA made public its support to the United Nations LGBTI Standards of Conduct for Business. AXA reinforced its partnerships with LGBT organizations to raise awareness across the Group and extend our network in those communities. Entities have continued to engage employees through participation to several LGBT events: sponsorship (or participation in) Pride marches and events. Entities have made significant progress in embedding LGBT as a business priority, with inclusive policies supporting same-sex couples named as beneficiaries.

On December 3rd, 2018, on the International Day of People with Disabilities, a global webinar was offered to all AXA employees to raise awareness on the topic.

On December 10th, 2018, AXA's CEO Thomas Buberl committed to support the United Nations Women's Empowerment Principles, in the name of all AXA entities.

Finally, for the sixth time, in 2018, 140 people, mainly senior executives, gathered to work and reflect on "Inclusive Leadership: how can we act as catalysts for change?" to demonstrate that diversity and inclusion remains a priority at AXA and discuss on areas for progress.

Workforce [a]

Headcount (number of persons) as of December 31	2018		Evolution	2017	
Total headcount of salaried workforce (open-ended and fixed-term contract)	**125,934**	**emp.**	**+8.1%**	**116,514**	**emp.**
Headcount of salaried workforce with open-ended contract	**119,780**	**emp.**	**+7.3%**	**111,588**	**emp.**
▶ Proportion of men	46.6	%		46.6	%
▶ Proportion of women	53.4	%		53.4	%
Headcount of salaried non-sales force	**102,843**	**emp.**	**+7.7%**	**95,447**	**emp.**
All Executives	3,583	emp.		3,255	emp.
▶ Proportion of men	71.0	%		70.6	%
▶ Proportion of women	29.0	%	-0.4pt	29.4	%
All Professionals	48,504	emp.		14,828	emp.
▶ Proportion of men	54.9	%		57.4	%
▶ Proportion of women	45.1	%	+2.5pts	42.6	%
Associates	50,756	emp.		77,364	emp.
▶ Proportion of men	36.0	%		42.7	%
▶ Proportion of women	64.0	%		57.3	%
Headcount of salaried sales force	**16,937**	**emp.**	**+4.9%**	**16,141**	**emp.**
▶ Proportion of men	49.4	%		50.8	%
▶ Proportion of women	50.6	%	+1.4pt	49.2	%
Headcount of salaried workforce with fixed-term contract	**6,154**	**emp.**		**4,926**	**emp.**
▶ Non-sales force	4,752	emp.		4,282	emp.
▶ Sales force	1,402	emp.		644	emp.

Full-Time Equivalents (headcount converted into full-time equivalents)	2018		Evolution	2017	
Average FTE of salaried workforce	**115,768.5**	**fte**	**+8.3%**	**106,928.6**	**fte**
Average FTE of salaried non-sales force	99,134.4	fte		91,109.7	fte
▶ All Executives	3,657.6	fte		3,203.2	fte
▶ All Professionals	46,263.1	fte		14,804.2	fte
▶ Associates	49,213.7	fte		73,102.3	fte
Average FTE of salaried sales force	16,634.1	fte		15,818.9	fte
Average FTE of temporary non-salaried staff	**8,586.9**	**fte**		**8,399.9**	**fte**
▶ Non salaried temporary staff and contingent workers	5,768.1	fte		5,784.9	fte
▶ Trainees/Apprentices	2,818.8	fte		2,615.0	fte

Profile of employees	2018		Evolution	2017	
Average age of salaried workforce	**40.8**	**yrs**		**40.9**	**yrs**
▶ Non-sales force	40.7	yrs		40.8	yrs
▶ Sales force	41.4	yrs		41.4	yrs
Average length of service of salaried workforce	**10.4**	**yrs**		**10.8**	**yrs**
▶ Non-sales force	10.7	yrs		11.3	yrs
▶ Sales force	8.2	yrs		8.3	yrs
Disability (open-ended and fixed-term contract)					
Number of employees with disabilities - concerns entities operating in France only	743	emp.		770	emp.

(a) Salaried workforce refers to non-sales and sales force employees with open-ended contracts, unless stated otherwise.

Workforce Dynamics [*]

Movements	2018	Evolution	2017
Movements of salaried workforce			
Net headcount evolution (entries *versus* departures)	707 emp.		-2,176 emp.
▶ Entries	19,533 emp.	+16.5%	16,766 emp.
▶ Departures	18,826 emp.	-0.6%	18,942 emp.
Movements of salaried non-sales force			
Net headcount evolution (entries *versus* departures)	234 emp.		-1,729 emp.
Entries	15,165 emp.	+14.0%	13,302 emp.
▶ Number of external recruitments (including re-hires)	13,218 emp.		11,467 emp.
▶ Number of fixed-term contracts transformed into open-ended contracts	1,915 emp.		1,637 emp.
▶ Number of entries following mergers and acquisitions	32 emp.		198 emp.
Departures	14,931 emp.	-0.7%	15,031 emp.
▶ Number of resignations	9,460 emp.		8,332 emp.
▶ Number of economic/collective layoffs	1,352 emp.		1,894 emp.
▶ Number of individual layoffs	2,028 emp.		1,847 emp.
▶ Number of retirements/pre-retirements	1,769 emp.		1,538 emp.
▶ Number of departures due to external transfers (b)	129 emp.		1,252 emp.
▶ Number of other departures	193 emp.		168 emp.
Movements of salaried sales force			
Net headcount evolution (entries *versus* departures)	473 emp.		-447 emp.
Entries	4,368 emp.	+26.1%	3,464 emp.
▶ Number of external recruitments (including re-hires)	4,265 emp.		3,336 emp.
▶ Number of fixed-term contracts transformed into open-ended contracts	98 emp.		94 emp.
▶ Number of entries following mergers and acquisitions	5 emp.		34 emp.
Departures	3,895 emp.	-0.4%	3,911 emp.
▶ Number of resignations	2,913 emp.		2,752 emp.
▶ Number of economic/collective layoffs	122 emp.		82 emp.
▶ Number of individual layoffs	500 emp.		490 emp.
▶ Number of retirements/pre-retirements	264 emp.		240 emp.
▶ Number of departures due to external transfers (b)	77 emp.		321 emp.
▶ Number of other departures	19 emp.		26 emp.
Movements of salaried workforce with fixed-term contract			
Net headcount evolution of salaried non-sales force (entries *versus* departures)	2,212 emp.		1,828 emp.
▶ Number of external recruitments	5,531 emp.		5,337 emp.
▶ Number of fixed-term contracts ended	3,319 emp.		3,509 emp.
Net headcount evolution of salaried sales force (entries *versus* departures)	376 emp.		172 emp.
▶ Number of external recruitments	585 emp.		335 emp.
▶ Number of fixed-term contracts ended	209 emp.		163 emp.

(b) Salaried workforce who have left AXA because of an activity/job transfer to an external company or due to disposal of businesses, the employee is no longer under a contract with AXA.

[*] The XL, Kamet and Alliance Bernstein businesses only partially reported the movement indicators.

Mobility	2018	Evolution	2017
Internal mobility rate of salaried workforce	**8.9 %**	**-1.6pt**	**10.5 %**
▶ Non-sales force	9.6 %		11.3 %
▶ Sales force	5.0 %		6.1 %

Employee turnover	2018	Evolution	2017
Turnover rate of salaried workforce	**15.6 %**	**+0.2pt**	**15.4 %**
▶ Involuntary (layoffs/dismissals)	3.6 %		3.8 %
▶ Voluntary (resignations)	10.4 %		9.8 %
▶ Other reasons (pre/retirements and miscellaneous)	1.9 %		1.8 %
Turnover rate of salaried non-sales force	**14.4 %**	**+0.1pt**	**14.3 %**
▶ Involuntary (layoffs/dismissals)	3.6 %		3.9 %
▶ Voluntary (resignations)	9.2 %		8.6 %
▶ Other reasons (pre/retirements and miscellaneous)	1.9 %		1.8 %
Turnover rate of salaried sales force	**22.8 %**	**+0.5pt**	**22.3 %**
▶ Involuntary (layoffs/dismissals)	3.7 %		3.6 %
▶ Voluntary (resignations)	17.4 %		17.0 %
▶ Other reasons (pre/retirements and miscellaneous)	1.7 %		1.7 %

Labour Relations (*)

Working time	2018	Evolution	2017
Average number of working days	**229.1 days**	**+0.6%**	**227.7 days**
Average number of working hours per week	**36.8 hrs**	**-0.3%**	**36.9 hrs**
▶ Full-time employees	38.6 hrs		38.0 hrs
▶ Part-time employees	25.9 hrs		26.6 hrs
Part-time salaried workforce			
▶ Proportion of part-time salaried non-sales force	10.0 %		11.1 %
▶ Proportion of part-time salaried sales force	3.1 %		2.7 %

(*) The XL and Kamet entities did not report the labour indicators.

Absenteeism	2018	Evolution	2017
Absenteeism rate of salaried workforce	**4.7 %**	**0,0pt**	**4.7 %**
▶ Proportion of absences due to sickness	69.7 %		69.9 %
▶ Proportion of absences due to work related accidents	1.9 %		2.0 %
▶ Proportion of absences linked to maternity/paternity leave	28.4 %		28.1 %
Absenteeism rate of salaried non-sales force	**4.9 %**		**4.9 %**
▶ Proportion of absences due to sickness	69.7 %		69.5 %
▶ Proportion of absences due to work related accidents	1.7 %		1.9 %
▶ Proportion of absences linked to maternity/paternity leave	28.6 %		28.6 %
Absenteeism rate of salaried sales force	**3.5 %**		**3.7 %**
▶ Proportion of absences due to sickness	69.4 %		72.5 %
▶ Proportion of absences due to work related accidents	3.4 %		2.9 %
▶ Proportion of absences linked to maternity/paternity leave	27.1 %		24.6 %

Compensation

Compensation cost	2018	Evolution	2017
Compensation cost of salaried workforce (c)	**9,275 M€**	**+9.1%**	**8,501 M€**
▶ Proportion of fixed pay (related to wages)	77.2 %		76.2 %
▶ Proportion of variable pay (related to wages)	22.8 %		23.8 %
Annual gross payroll of salaried non-sales force			
▶ Proportion of fixed pay (related to wages)	83.1 %		83.1 %
▶ Proportion of variable pay (related to wages)	16.9 %		16.9 %
Annual gross payroll of salaried sales force			
▶ Proportion of fixed pay (related to wages)	45.0 %		44.9 %
▶ Proportion of variable pay (related to wages)	55.0 %		55.1 %

(c) As per the definition of compensation, it includes the individual fixed pay, the individual variable pay, employer social contribution and collective profit sharing (if any) and excludes equity based compensation (stocks options, performance shares, AXA Miles). On a constant exchange rate basis, total compensation cost increased by 11.2%.

Training (*)

Training days	2018	Evolution	2017
Number of training days of salaried workforce	**327,011.4 days**	**-1.0%**	**330,248.7 days**
▶ Non-sales force	224,034.3 days		226,600.0 days
▶ Sales force	102,977.1 days		103,648.7 days

(*) The XL and Kamet entities did not report the training indicators.

Training attendees	2018		Evolution	2017	
Percentage of salaried workforce having received at least one training course	**97.8**	**%**	**+13.6pts**	**84.2**	**%**
▶ Non-sales force	97.6	%		83.5	%
▶ Sales force	99.2	%		88.6	%
Average number of training days per salaried workforce	**2.7**	**days**		**3.1**	**days**
▶ Non-sales force	2.2	days		2.5	days
▶ Sales force	6.1	days		6.6	days

7.3 Climate Change and the Environment

As described above in the "Sustainability Risk Assessment" section, environmental protection, including the interconnected issues related to climate change and biodiversity loss, is a key concern for the AXA Group as an insurer, investor and a large multinational corporation. This chapter covers all three dimensions. The initiatives described below are in line with the UN Sustainable Development Goals (SDG) #12 (Responsible Consumption and Production) and #13 (Climate Action).

AXA'S POSITION ON CLIMATE CHANGE AND THE ENVIRONMENT

AXA's position regarding climate change and environmental risks is not only to adapt, but also to take advantage of its expertise to provide solutions. Indeed insurers are well equipped to address climate-related risks. They can fund and promote research. They possess claims loss data, as well as models and tools to analyze and project this data. They have a duty to disseminate knowledge about new risks. Insurers, through their significant investments, are also well positioned to send the right signals to the investment community and to the specific companies they invest in.

AXA's work focuses on enhancing knowledge on climate risk, and developing adequate insurance products and investment policies. This strategy addresses both the "carbon emissions *mitigation*" and the "*adaptation* / resilience" dimensions of climate change. To be effective, it requires both collective efforts and more competitive initiatives.

More specifically, our strategy currently includes the following initiatives:

- Investments: investing in green assets, divesting from certain carbon-intensive industries (coal and oil sands), climate-related shareholder engagement, climate risk analysis with a long-term view to align investments with a "+2°C" target;
- Insurance: underwriting restrictions on the coal and oil sands industries, "green / sustainable" products in both Property & Casualty and Life & Savings ranges;
- Operations: direct environmental footprint targets covering energy & carbon emissions, water and paper across all three Greenhouse Gas Protocol "scopes";
- Thought leadership, NGO partnerships, academic research (AXA Research Fund);
- In 2018, the Group has also decided to start addressing the issue of biodiversity loss through a comprehensive strategy that will be gradually rolled out.

These initiatives are detailed in the following pages. See also "Risk factors" section 4.1.

INVESTMENTS

This section describes our Responsible Investment (RI) initiatives in line with the voluntary disclosure requirements of the Taskforce on Climate-related Financial Disclosures (TCFD [(2)]) and the compulsory framework provided for by the French decree implementing Article 173 VI of the law n°2015-992 of August 15, 2015 for Energy Transition for green growth Act (which also considers social and governance issues in addition to environmental issues). This is why the text below occasionally extends beyond purely environmental factors. Furthermore, this text is an overview of our full “2019 Climate Risk Report”, to be published on www.axa.com in the spring of 2019, based on the TCFD’s general guidance for the financial sector, and supplemental guidance for Insurance companies and asset owners.

Definitions and Governance

AXA defines RI as the integration of Environmental, Social and Governance (ESG) considerations into investment processes, including ownership practices. Our conviction is that ESG integration may impact long-term investment performance by offering an enhanced understanding of risk drivers. This conviction is derived from academic research and empirical market data. It is also a way to strive for alignment between our investments and broader CR commitments. AXA developed a comprehensive RI strategy covering the Group’s General Account assets and is gradually extending it to its Unit-Linked investments. The process of ESG integration is coordinated centrally, with an active input from our asset managers that include ESG metrics in their investment analysis across asset classes and regions.

AXA created a Group-level Responsible Investment Committee (RIC), chaired by the Group Chief Investment Officer, and including representatives from AXA Asset Management entities, Corporate Responsibility, Risk Management and Communications. The RIC reports to the Group Investment Committee, chaired by the Group Chief Financial Officer. In addition, the “ESG Footprint Committee” reviews risks posed by companies or sectors presenting a low ESG performance and/or serious and persistent controversies. AXA’s RI policy is supported by the RI Center of Expertise, a transversal working group from AXA’s local investment teams interacting with the CR network and the Group’s Asset Management entities. In addition, as mentioned in section 7.1, the Board of Directors and Stakeholder Advisory Panel provide input into the Group’s CR strategy.

[2] Recommendations from the TaskForce on Climate-related Financial Dislosures: www.fsb-tcfd.org.

Responsible Investment Strategy

AXA's RI strategy is based on four main pillars:

Integrating ESG and carbon metrics into investment processes and decision-making, using KPIs and qualitative research across most of our assets;

- Excluding sectors or companies that face acute social, human rights, ethical or environmental challenges. These sector restrictions (which apply both to investments and insurance) currently include: controversial weapons, coal mining / coal-based power generation, oil sands and associated pipelines, palm oil, food commodity derivatives, and tobacco. These policies are disclosed on axa.com;
- Promoting "Green" investments across different asset classes, based on proprietary criteria derived from a recognized market standard. This includes "impact investments" delivering positive environmental or social as well as financial returns which are actively tracked;
- Active stewardship through voting and engagement on a range of ESG or sustainability issues.

The AXA Group as well as its two Asset Management entities (AXA IM and AB Global) are signatories of the UN-backed principles for Responsible Investment (UN PRI). The Group's global RI Policy (public on www.axa.com) will be revamped to better reflect our current RI strategy.

ESG tools and methodology

AXA tracks its investments' ESG performance with accuracy by leveraging AXA IM's "RI Search" tool (and MSCI ESG data at AB), where cross-asset ESG scores and "impact-type" metrics are engineered and stored. They help monitor ESG risks, identify areas of improvement, set targets or guide shareholder engagement. The RI Search tool is also the dedicated recipient to manage ESG scores for non-listed assets, such as buildings properties, commercial real estate loans and infrastructure debt. This analysis process covers AXA's General Account assets (Sovereign and corporate bonds, equity, property, infrastructure and Commercial Real Estate debt). RI Search is also used to develop dedicated Responsible Investment funds and can guide shareholder engagement targets. AXA IM's RI team regularly trains portfolio managers in order for them to use RI Search optimally. In 2019, this tool will gradually be replaced by a new more comprehensive "ESG solution engine" enabling a better screening of investment universes, scores & KPI computation and reporting.

The ESG methodology is adapted to different asset classes:

- Corporates issuers (equity and debt): the ESG assessment consists in focusing on the most material and impactful key ESG issues at sector level, with a thorough selection of best data sources and most accurate ESG criteria. E, S and G factors are weighted differently in the overall ESG scores engineering depending on the sector. The overall score computation process also includes a monitoring of "core ESG" risks with the treatment of most severe basic principles violations, resulting in a systematic score discount for the most material controversies. Finally, ESG scores take into account the performance of each company within its peer group, considering issuers' specificities (in particular regional) in the assessment of the ESG quality;

- Sovereign issuers: AXA's ESG scoring framework for countries is based on public data sources such as the World Bank, the OECD, and the UN (*e.g.* environment, social and political risks). The criteria are adapted to the development levels of all countries;
- Real Assets: AXA's ESG scoring frameworks for Real Assets covers 3 asset classes: direct property, commercial real estate loans and infrastructure debt. The ESG scoring for these assets is based on proprietary questionnaires covering criteria such as energy efficiency, environmental certificates, and accessibility;
- Finally, a "carbon footprinting", which is applied to our equities, corporate Fixed Income and Sovereign Debt assets, complements the ESG metrics.

Climate risk methodology

Converting international climate objectives (such as those derived from the COP21 Paris Agreement, French or EU energy mix targets) into quantitative investment targets is a new and complex risk modelling exercise. AXA is testing different approaches since 2016. Building on previous efforts, in 2018 AXA has decided to deepen its work based on the methodology provided by an external climate risk partner (Carbon Delta, also used in 2017), while also extending its use of internal "NatCat" models to cover a wider spectrum of our Real Assets investments. This work covers two broad areas: "transition risk" and "physical risks", as defined by the TCFD and explained in more details below.

"TRANSITION" RISKS: FINANCIAL RISKS AND "2°C" PORTFOLIO ALIGNMENT

Modelling the extent to which investors may be impacted by shifting market and regulatory trends related to the transition to a low-carbon economy is termed "transition risk". It can be measured in financial or purely "climate" terms.

- For equity and corporate bonds assets, AXA uses a framework that models transition risk based on "policy-related" risks arising from regulatory efforts to curb carbon emissions and comply with the 2015 Paris Agreement to contain global warming below 2°C. Our top down approach first identifies emissions reductions targets by country (according to the "Nationally Determined Contributions" / NDCs of the Paris Agreement), then splits them into sector-level targets based on policy research and eventually into company-level targets based on their individual assets / facilities after which a carbon price assumption is applied to any budgetary exceedance of actual carbon intensity. It also factors a separate future "green revenue" estimate derived from an analysis of current green patents filings. This approach enables us to project companies' potential costs or gains associated with reaching the 2°C scenario per sector and country. These results are translated into a forward-looking set of climate cost and revenue metrics per security, which represents the proportion of a company's revenues that may decrease or increase due to climate change-related constraints. For our sovereign portfolios, we also use another methodology (developed by another service provider) to approximate a comparable "transition risk" metric based on the allocation of carbon budget by countries supporting various warming scenarios depending on various macroeconomic variables such as GDP growth, population growth and energy efficiency;
- In addition to this financial risk indicator, AXA is exploring ways to measure the "temperature" of its investments by positioning its corporate bonds and equity and sovereign debt assets versus the "2°C" target enshrined in the Paris Agreement. This approach captures the climate-related aspects of a company's activities, including its direct and indirect greenhouse gas emissions, technology developments, and "green revenue" opportunities. This is derived from the carbon intensity alignment

of each company relative to the sectoral carbon intensity target needed for each sector to make its contribution to reach the global 2°C target. This produces a "**warming potential**" per company and sector, and ultimately for AXA's investments, for which long-term targets may be set. This is likely to become a key dimension of the "climate finance" narrative going forward.

Further explanations will be developed in our full "2019 Climate Risk" report (www.axa.com).

« PHYSICAL » RISKS: CLIMATE IMPACTS ON AXA'S REAL ASSETS PORTFOLIO

In addition to the aforementioned "transition" risks, climate change, and in particular, extreme weather events, may impact "Real assets" such as real estate. This is termed "physical" risks according to the TCFD guidelines. As an insurer, AXA has a significant amount of claims-related data that it can leverage to conduct a "physical risks" analysis on its Real Estate portfolio. Indeed AXA's Investments and Group Risk Management teams collaborate to evaluate the financial impact of floods and windstorms on the buildings and infrastructure of these portfolios.

Our physical risk assessment for Real Estate uses "NatCat" models – generally only used to assess the impact of natural catastrophes on insured exposure – combining stochastic events (windstorms, floods, hurricanes) and a geolocalised portfolio of Real assets. Specific "destruction rates", which factor location, building / infrastructure type and construction materials are then used to determine potential damage rates and derive a loss for each and every building / infrastructure. Again, the results of this innovative work will be disclosed in more detail in our full report.

Moreover, for corporate bonds and equities, we assess the costs of "physical risks" by modeling the expected financial impacts of extreme weather events on companies' facilities. The physical risk cost estimates factor in vulnerability to business interruption risk and asset damage, based on the exposure of facility locations to extreme weather events.

ESG and climate-related exclusions

AXA's Responsible Investment strategy includes several sector-level divestments. Indeed, certain activities and products are deemed to be inconsistent with our climate strategy and broader CR goals of protecting people over the long term. In this context, AXA has developed specific "sector guidelines" which apply both to investments [3] and insurance (see following section). These currently include the following sectors:

- Coal and oil sands: developed below;

[3] Equity assets are divested immediately; debt assets are run-off (except for controversial weapons, for which debt assets are also divested immediately).

- "Controversial weapons" manufacturers that are banned by international conventions (antipersonnel landmines, cluster munitions / cluster bombs chemical, biological and depleted uranium weapons, nuclear weapons proliferation);
- Tobacco manufacturers, whose products conflict with our role as one of the world's largest health insurers;
- Palm oil producers which do not adhere to this industry's best sustainability practices (notably regarding deforestation, land and labor rights);
- Soft commodity derivatives which may be responsible for inflating the price of basic food commodities.

In 2018, the Group extended its investment restrictions to the XL Group's assets, representing an extra €660M divested. In total, AXA's divestments represent approximately €7.15 billion (coal, tobacco, oil sands, controversial weapons and palm oil, in decreasing order of magnitude, and including XL Group assets).

More specifically, regarding climate change, in 2015, AXA was the first global investor to initiate divestment from coal. Ahead of COP21, we signaled that while climate finance is a complex issue, it can nonetheless be tackled. This helped AXA and some peers to overcome paralysis by analysis and shift into "action" mode. In 2017, AXA strengthened its climate-related divestment strategy.

Carbon emissions will require significant curbing in order to reduce the risk of climate change, which may place business constraints on carbon-intensive industries, leaving some assets "stranded", which in turn may lead to reduced valuations. This is why AXA decided to divest from the coal industry, by targeting coal mining and coal-based electric utilities based on 3 criteria:

- Electric utilities with coal share of power production (energy mix) over 30%; mining companies with coal share of revenues over 30%. This captures long term financial risks related to "stranded assets";
- Companies that are actively developing new coal-based power capacity (with coal-based power "expansion plans" exceeding 3 GigaWatts. This approach captures "real" climate impact, beyond pure financial risks;
- Mining companies with annual coal production over 20 million Tons.

Because oil sands are also an extremely carbon-intensive form of energy, their production generates significant human rights concerns, and is a serious cause of local environmental pollution, AXA also divested from the main oil sands producers, defined as producers with at least 30% of their reserves based on oil sands. The production volumes of oil sands is largely influenced by the development of certain pipelines. As a result, AXA also divests from the main associated pipelines players.

Green investments

AXA has a target to invest €12 billion in "green" assets by 2020, which doubles the recommendations by Christiana Figueres, one of the main architects of the COP21, to dedicate 1% of institutional investments to green assets. This target includes notably green infrastructures, green bonds, Impact Investments, property and commercial real-estate loans with stringent environmental standards. AXA's definition of "green" infrastructure is derived from an accepted and demanding market-based approach: the "Climate

Bonds Initiative" classification. In addition, in the case of Real Estate assets and Commercial Real Estate loans (CRE), AXA applies the strictest environmental certifications & standards to classify the property or underlying asset of the CRE loan as Green. In December 2018, AXA's green investments reached €11.3 billion.

In addition, AXA and the IFC, a member of the World Bank Group focused on the private sector, launched a $500 million partnership supporting an infrastructure fund that will notably finance green infrastructures in emerging countries, including renewable energy, water, green transport and telecoms. Coal and oil-sands related projects are explicitly excluded.

Climate and ESG "outreach" and engagement

Shareholder engagement

AXA's divestments are complemented by an active engagement strategy. Indeed, as a shareholder and bondholder, AXA has the possibility to engage with the management of companies in which it invests in order to help catalyze positive change on certain issues (such as climate change, health, governance, market practices, etc.). This is undertaken directly by the Group and via AXA IM's engagement team. In addition, AXA and AXA IM joined several shareholder coalitions, notably:

- Climate Action 100+, a five-year investor initiative to engage with the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change;
- The UN PRI ESG Engagement Advisory Committee, providing strategic direction and feedback on themes for future collaborative engagements;
- Various other initiatives related to plastic pollution, the TCFD guidelines, arctic drilling, palm oil, the automotive industry, etc.

OUTREACH, MEMBERSHIPS AND PARTNERSHIPS

AXA supports various initiatives related to climate change and environmental protection. These include the following:

- Climate Finance Leadership Initiative: the CFLI, which was launched in September 2018 by the UN Secretary General, and is presided by Michael Bloomberg, seeks to develop standardized and securitized investments at scale to tackle climate change;
- Alliance of CEO Climate Leaders: a group of 50 CEOs set up by the World Economic Forum (Davos) to actively engage in global efforts to create market opportunities for tackling climate change. Its goals are to promote strong climate action including a commitment to reduce carbon emissions, support the TCFD, support low-carbon solutions and finance, and promote adequate regulation. AXA joined in 2018;
- IDF: AXA's Chairman presides over the Insurance Development Forum since 2018. The IDF is a public-private partnership that brings together insurers, reinsurers and brokers, together with the World Bank and the United Nations Development Program. By optimising and extending the use of insurance and risk management capabilities, the IDF aims to support the G20 "InsuResilience" objective of insuring 400 million more people in emerging countries by 2020 against climate-related disasters and of improving

their climate resilience. The organisation is made up of 500 experts, including specialists from AXA, that focus on i) improving catastrophe risk modelling by developing models in emerging countries where they don't yet exist as well as enhancing their interoperability; ii) addressing the critical role that the proper legal, regulatory environment and supportive government policies play in closing the protection gap; iii) launching new and improving existing insurance programmes at the sovereign and sub-sovereign level, building on successful models such as the African, Caribbean and Pacific Islands risk pools; iv) driving new inclusive insurance schemes for individuals in emerging countries aligned with the work of AXA's Emerging Customers; and v) closing the gap between funding needed for climate-resilient infrastructure in emerging countries and insurers' role as institutional investors with the ability to invest in these assets. The IDF has already catalogued all existing catastrophe models, published a catalogue of laws, regulations and policies that enhance or impede insurance sector resources in an economy and is working on two sovereign insurance pilots in Sri Lanka and Pakistan. Since AXA's chairmanship, the IDF has also set up a permanent Secretariat in London and co-hosted a seminal event with the Bank of England on infrastructure investment;

- TCFD: AXA co-presided (2015-2017) the global industry-led Task Force on Climate Related Financial Disclosures (TCFD), set up by the Financial Stability Board (FSB) as well as Michael Bloomberg. The TCFD provides guidance on how to disclose climate change risk and opportunities;
- EU High-Level Expert Group on Sustainable Finance: a senior AXA executive presided (2016-2018) the EU High Level Expert Group on Sustainable Finance, developing recommendations on sustainable finance which formed the basis for the European Commission's "Action Plan on Financing Sustainable Growth".

The Group has signed several NGO partnerships:

- C40: in October 2018 AXA partnered with C40 to produce a public report on how cities' understanding of infrastructure interdependencies informs their climate adaptation planning. The aim of the report is to help cities better manage climate risk;
- UN Habitat: our 2016-2019 partnership with the UN agency for human settlements and sustainable urban development focuses on supporting housing reconstruction after disasters and implementing technical assistance at scale, to help communities to "build back better", and to reduce fatalities and limit economic losses as a result of disasters. These (re)building guidelines will be published by Q2 2019;
- UNISDR: AXA partnered (2015-2018) with the UN Office for Disaster Risk Reduction to support the "Private Sector Commitment for Disaster Risk Reduction". These principles cover 5 key areas around the role that the private sector can take to further encourage Disaster Prevention, Resilience and Risk Reduction;
- CARE: AXA's partnership (launched in 2009) with CARE International (major international humanitarian agency delivering emergency relief and long-term international development projects) to work on both disaster risk reduction and climate change adaptation (notably better mapping climate refugee dynamics).

AXA has also joined or supported many Investor and Insurance-led coalitions over the years in the fields of ESG, RI and CR: UN PRI, UN PSI, IIGCC, Montreal Carbon Pledge, Science Based Targets, RE100, Caring for Climate Carbon Pricing Leadership Coalition, UN Global Compact, CDP, ORSE, EpE, BSR, Finance for Tomorrow, "Kyoto statement" of the Geneva Association, etc. Finally, AXA also supports climate-related academic research via the AXA Research Fund (see Chapter 7.4).

Insurance

Governance

Insurance-related ESG risks and opportunities also benefit from a specific governance, notably the Group Underwriting Committee, which defines underwriting restrictions. The Group CR team provides a bridge with the RI-related governance. In addition, a dedicated team with Group Risk Management analyses Emerging Risks via a specific framework, tools and local network. These risks, which often relate to long term ESG issues, are monitored and their potential impact assessed within a risk mapping framework (regulatory & legal, environmental, socio & political, economic & financial, medical and technological).

Underwriting restrictions

It is inconsistent to commercially support industries that the Group has divested from. Therefore, AXA also restricts insurance coverage for coal and oil sands-related assets (as well as for the other industries mentioned in the previous section, and arctic drilling). The exclusions cover the following:

- The development of new coal capacity is strictly banned by not providing Construction covers (both Direct Insurance and Facultative Reinsurance) for any new coal plant and new coal mine. This applies whichever the region or client (regardless of our investment exclusion list);
- Property covers for existing coal power plants and coal mines are also banned. This does not apply to the least developed countries in the world, according to UN classification;
- Oil sands extraction business: both Property and Construction covers are banned (both Direct Insurance and Facultative Reinsurance);
- Oil sands transportation business, in particular via pipelines: both Property and Construction covers are banned (both Direct Insurance and Facultative Reinsurance);
- Oil & Gas extraction in Arctic region : both Property and Construction covers are banned (Direct Insurance and Facultative Reinsurance).

More detailed internal rules apply for complex cases such as “mixed risks” packages, etc. These restrictions were initiated in 2017; we believe AXA to be the first large insurer to have implemented such restrictions, which represent a significant commercial commitment. Indeed, in 2018, AXA extended its underwriting restrictions (coal, oils sands, tobacco, controversial weapons, palm oil, arctic drilling) to the XL Group’s operations, representing a significant commercial effort (premium impact in excess of €100M).

Our products

In addition to reorienting its investment strategy, the Group seeks to minimize its “indirect” impact on the environment by offering insurance solutions that promote environmentally-friendly behavior. In the Commercial Lines business, AXA XL underwriters have significant expertise and capacity for insuring clients in the energy industry, with a strong focus on renewable energy, and an explicit exclusion of coal and oil sands-related business (above). Some local entities also develop motor and car fleet insurance policies encouraging low CO2 emission vehicles, home insurance policies encouraging energy efficiency, renewable energy installations, and environmentally friendly claims strategies. As described in Section 7.4, AXA France has developed the comprehensive "Assurance Citoyenne" label, and AXA Global Parametrics offers parametric insurance products which, for example, help insured communities facing the consequences of climate-related disasters on agricultural crops (notably drought or flooding).

OWN OPERATIONS

As part of AXA's Sustainability Risk Assessment, the environmental impacts of our operations has been identified as one of the risks to mitigate. This mainly includes carbon emissions as well as water and paper consumption. In response to this risk, AXA has developed an environmental policy and strategy which covers both business and operational issues. AXA's environmental footprint management also contributes to improving our operational eco-efficiency, notably through cost savings on energy, fuel, travel, paper and water.

AXA's Environmental Policy describes our key focus areas and expected practices to reduce our direct and indirect environmental impacts. As part of this policy, AXA has:

- Established an environmental reporting process to measure and reduce the environmental impact of our business operations;
- Developed a due-diligence process to ensure an adequate governance is implemented at entity level;
- Set 2020 environmental performance targets.

Through its environmental policy and strategy, AXA, as an insurer, investor and global corporation, can play an important role in raising awareness about environmental protection amongst its stakeholders, contributing to improve the understanding of global and local environmental risks, and committing to address climate change. Through our strategy, we contribute to UN SDG #12 "Responsible Production and Consumption" (sub-target 12.6 "encouraging companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle").

Environmental reporting process and verification

AXA has implemented an environmental reporting process and related policies since 2002. Managing our environmental footprint, in line with EU Directive on Non-Financial Reporting, is one of the pillars of our CR strategy.

This process is based on an internal reporting tool and involves collecting information on power consumption, business travel, AXA-owned vehicle fleets and paper consumption, with their related CO_2 emissions, as well as waste and water. To measure our environmental footprint, the Group CR team coordinates a network of around 300 dedicated environmental managers in local entities. This network monitors our annual progress on reduction targets, which helps local entities evaluate their own action plans and targets. The final results of this annual reporting process are disclosed in our Annual Reference Document.

AXA's environmental reporting is part of its broader management system which includes internal controls, processes, and progress on target deployment. The data collected and reported via the reporting is validated locally by the Chief Financial Officer of the entities. Further, AXA conducts group and entity level audits to ensure data quality as well as measures the efficiency of the local environmental management systems. The accuracy of the data and indicators reported is measured by conducting the following steps:

- Review of Environmental Protocol and reporting procedures at Group and entity levels;
- Data review and detailed tests on selected entities, which includes testing data accuracy, verifying local reporting processes and feedback on reported data;
- Data review consolidation covering all indicators, as well as consistency and control tests carried out by the Group and our auditors;
- Audit review of the qualitative information (organization, policies and actions), as well as quantitative information (indicators, using sampling techniques). The audit covers all the entity data that is used to feed the environmental information published in this report. Please refer to statutory Audit statement at the end of Chapter 7.

Performance targets

AXA has a target to reduce its carbon emissions covering all greenhouse gas emissions "Scopes [(4)]":

- Scope 1: emissions from fuel consumed on AXA sites as well as by AXA-owned car fleet;
- Scope 2: emissions from purchased energy (essentially electricity consumed by AXA buildings);
- Scope 3: emissions from business travel and paper consumption. Note: investment-related "indirect" Scope 3 emissions are analyzed in Section 7.3 / Investments.

AXA's target for the 2012-2020 period is to reduce CO_2 emissions per Full-Time Employee (FTE) by 25%, broken-down into the following sub-targets:

- -35% power consumption (kwh/FTE) – Scopes 1&2;
- -15% business travel: vehicle fleet (km/FTE) – Scope 1;
- -5% business travel: air and train (km/FTE) – Scope 3;
- -45% office paper (kg/FTE) – Scope 3;
- -50% marketing and distribution paper consumption (kg/client) – Scope 3.

The Group has also set two environmental targets that are unrelated to carbon emissions:

- -15% water consumption;
- 95% of paper must originate from recycled or sustainable sources.

[(4)] As defined by the Greenhouse Gas Protocol www.ghgprotocol.org.

In addition, the Group has set a target to source 100% of its electricity consumed (office sites and AXA-owned data centers) from renewable energy sources by 2025, in line with our "RE100" commitment (RE100 is a coalition of companies pledging to buy 100% of their electricity from renewable sources).

Progress on these targets is described below.

2018 performance overview

CO_2 emissions

AXA's CO_2 emissions per FTE related to energy, paper and business travel (air, rail and car fleet) decreased by 14% between 2017 and 2018 and by 38% between 2012 and 2018 (our global 2020 target has thus been achieved ahead of schedule). 43% of the Group's CO_2 emissions are related to energy consumption, 35% from business travel (air and train), 15% from AXA's vehicle fleet and 7% from paper.

SCOPE 1 CO_2 EMISSIONS

AXA's Scope 1 emissions include CO_2 emissions generated from gas and heating oil burned onsite, as well as fuel used by AXA's car fleets. Scope 1 emissions per FTE decreased by 15% between 2017 and 2018 and by 37 % since 2012. Concerning gas consumption, some entities (Switzerland, Germany) have largely replaced gas by steam, which has a lower carbon intensity per KWh. In 2018, AXA's car fleet-related CO_2 emissions decreased by 14% compared to 2017.

SCOPE 2 CO2 EMISSIONS

AXA's Scope 2 emissions per FTE decreased by 14% between 2017 and 2018 and by 52% since 2012. This performance is notably related to the purchase of renewable electricity. In order to calculate our CO_2 emissions from purchased electricity, AXA uses both market-based (electricity supplier energy mix) and location-based (average country energy mix) approaches. For the entities buying renewable electricity and which have electricity consumption data by technology (such as hydro, solar, wind, biomass and geothermal or others based on power generation mix used by their providers), AXA uses a more precise "market-based" approach, thus attributing the corresponding emissions factors to each source type. For entities which do not have information about their energy provider's energy mix, AXA uses a "location-based" approach (with emissions factors provided by the French Environmental Regulatory body ADEME).

SCOPE 3 CO2 EMISSIONS

AXA's Scope 3 emissions include CO_2 emissions from business travel and paper consumption. In 2018, our Scope 3 CO_2 emissions per FTE have decreased by 17% compared to 2012 and slightly increased by 4% between 2017 and 2018. To reduce their carbon footprint, some AXA entities also purchased carbon offsets.

In addition, AXA also measures the carbon emissions related to its employee commuting, even though such indirect emissions may be considered to be outside of the scope of the Group's responsibilities. In 2018, based on responses collected from 32 countries where AXA employees commuted a total of 920 million kilometers, out of which 50% were travelled by public transport, 6% by company cars, and 38% by personal vehicles and the rest by foot or bicycle. Employee commuting-related CO_2 emissions per FTE increased by 16% compared to 2017 (representing 0.88tons eq. CO_2 per FTE). This increase in emissions is linked to a higher participation and response rate from AXA employees as well as more employees using personal transportation for commuting.

POWER CONSUMPTION

AXA's power consumption includes the total energy consumed by our corporate sites and data centers during the reporting year. This includes on-site energy consumption for heating and cooling as well as electricity for daily operational activities. In 2018, our total energy mix consisted of electricity (74%), gas (14 %), fuel/steam (9%) and chilled water (3%). We have achieved a 5% decrease in total power consumption between 2017 and 2018, and a 25% decrease compared to 2012. Our power consumption per FTE decreased by 12% between 2017 and 2018, and by 37% between 2012 and 2018. 53 AXA sites benefit from an environmental certificate from building certification programs such as Building Research Establishment Environmental Assessment Methodology (BREEAM), Leadership in Energy and Environmental Design (LEED), HQE (*Haute Qualité Environnementale*) etc.

In 2018, 55 % of the electricity consumed by AXA originated from renewable energy sources (hydro, wind, solar, geothermal, biomass). AXA's "RE100"target is to reach 100% by 2025.

Business Travel

Business travel per FTE decreased by 5% between 2017 and 2018, but increased by 13% between 2012 and 2018. Business travel trends are closely correlated to our business dynamics, despite the implementation of online collaborative tools which help to reduce business travel.

Vehicle Fleet

AXA's car fleet consists of sales vehicles and benefits-related vehicles. In 2018, the total distance travelled by the Group's car fleet has decreased by 16% compared to 2017. Further, in terms of per FTE usage, there has been a decrease of 29% compared to 2012. The Group has implemented car fleet guidelines which define carbon emission limits for all types of vehicles regardless of employee contributions. The guidelines also feature vehicle security standards and promote employee access to "safe and green driving" courses. In 2018, AXA owned 27% of vehicles emitting equal to or less than 100g of CO_2/km (and 24% in 2017), 41% of vehicles emitting equal or less than 101g and 120g (46% in 2017) and an average emissions rate of 120g of CO_2/km (119g in 2017). Employees are also incentivized to opt for hybrid or electric cars.

Paper

AXA's use of paper concerns office (printing, measured per employee) and marketing & distribution (leaflets, etc., measured per customer). Our office paper consumption per FTE has decreased by 17% between 2017 and 2018, and by 54 % between 2012 and 2018. Many entities have implemented a printing policy which includes reducing the number of printers per person and installing an employee badging system to collect all printed documents. In 2018, AXA's marketing and distribution paper consumption per customer increased by 18% versus 2017 (but only increased by 6% between 2012 and 2018). This recent additional increase is linked to significant documentation requirements related to the AXA Equitable Holdings IPO. We are aware that our 2020 Marketing & distribution paper target will prove challenging; the Group CR team will investigate more options to reverse this trend notably through further dematerialization.

In 2018, AXA also procured 58% of office paper and 41% of marketing and distribution paper from recycled sources.

water consumption

AXA's water consumption per FTE has remained stable between 2017 and 2018, and decreased by 19% between 2012 and 2018. This decrease in our water consumption is linked to better water management initiatives led by our local entities.

Waste Management

In 2018, AXA's sorted paper for recycling decreased by 10% compared to 2017, and decreased by 39% between 2012 and 2018. This decrease in the total recycling rate is due to the overall decrease in office paper consumption (see paragraph above). 66% of ink cartridges and toners were recycled. AXA's IT business unit, AXA Services, for which electronic waste is of particular relevance, is a key contributor to this effort, as it ensures compliance with the Waste Electronic and Electrical Equipment (WEEE) Directive. Unsorted waste has increased from 5% compared between 2017 and 2018, and decreased by 29% between 2012 and 2018. This is mainly due to better waste measurement processes in local entities as well as integration of new entities such as AXA Brazil, AXA Partners Malaysia and AXA XL. Finally, over 75 canteens in the Group collect and recycle organic waste from their restaurants.

2018 Group Environmental Performance

	Unit	2017	2018
AXA Group environmental indicators (a)			
Number of employees on site, Full-Time Equivalent (FTEs)	**FTE**	115 328	124 355
Net internal area (sites)	**m2**	1 777 687	1 705 774
POWER (sites)			
Power consumption (b)	**Mwh**	363 283	344 684
KPI: Power consumption per person	**Kwh/FTE**	**3 150**	**2 772**
Evolution compared to previous year			***-12%***
TRANSPORTATION			
Business travel: airplane and train (c)	**Thousands of km**	328 523	336 918
Business travel: AXA vehicle fleet	**Thousands of km**	266 242	223 577
Home/workplace commute (round trip) (d)	**Thousands of km**	932 534	920 155
CO2 EMISSIONS (e)			
CO2 emissions: onsite power consumption	**T. eq CO2**	94 756	80 652
CO2 emissions: business travel: airplane and train	**T. eq CO2**	63 494	64 948
CO2 emissions: business travel: AXA vehicle fleet (f)	**T. eq CO2**	31 799	27 287
CO2 emissions: paper	**T. eq CO2**	11 446	13 056
KPI: CO2 emissions resulting from onsite power consumption, paper and business travel (airplane, train, AXA vehicle fleet) per person	**T. eq CO2/FTE**	**1,75**	**1,50**
Evolution compared to previous year			***-14%***
CO2 emissions: home/workplace commute (g)	**T. eq CO2**	87 116	109 389
WATER			
Water consumption (h)	**m3**	927 017	1 003 964
KPI: Water consumption per person	**m3/FTE**	**8,04**	**8,07**
Evolution compared to previous year			***0%***
PAPER (i)			
Office paper consumption	**T**	1 815	1 616
KPI: Office paper consumption per person	**kg/FTE**	**16**	**13**
Evolution compared to previous year			***-17%***
Paper recycled and/or garanteeing sustainable management: office	**%**	58	58
Marketing and distribution paper consumption	**T**	10 220	12 078
KPI: Marketing and distribution paper consumption per customer (j)	**kg/customer**	**0,10**	**0,12**
Evolution compared to previous year			***18%***
Paper recycled and/or garanteeing sustainable management: marketing & distribution	**%**	51	41
WASTE			
Unsorted waste (k)	**T**	4 301	4 512
Sorted paper for recycling	**T**	3 588	3 223
Cartridge and/or toners for recycling	**%**	55	66

Data collected from 81 entities, including XL Group (XL Group environmental data was included on a pro-rata basis for Q4 2018). Key Performance Indicators (KPIs) highlighted in bold. AXA sites with fewer than 50 FTEs are not included in our data collection, but are part of our extrapolation process.

(a) In 2018, environmental indicators were collected for 101,977 FTEs working on AXA sites (unless otherwise indicated in these footnotes) and were then extrapolated, continent by continent, to cover all 124,355 salaried FTEs (all types of contracts, including XL Group FTEs) working at the AXA Group in average in 2018.
(b) Includes electricity, natural gas, heating oil, steam, chilled water data colleted from entities representing 93,740 FTEs.
(c) This data has been collected from entities representing 86,364 FTEs.
(d) Home/workplace commute estimations are based on an annual online transportation survey, issued to every AXA salaried employee. This data has been collected from survey answers by 15,084 FTEs and then extrapolated. Sites whose response rate was below 5% have been excluded from the data consolidation process.
(e) The emissions factors specific to each country used for energy, train and air were revised in 2017. Source: the International Energy Agency (IEA) and Ademe.
(f) The AXA vehicle fleet data is collected from entities representing 93,497 FTEs.
(g) Does not include company cars, to avoid double counting with the AXA vehicle fleet data.
(h) This data has been collected from entities representing 91,339 FTEs. Some sites are not equipped with water meters, which prevents accurate measurement and excludes them from the reporting scope before extrapolation.
(i) Paper data collected from entities representing 93,854 FTEs.
(j) The Group had 111 million customers in 2018.
(k) Unsorted waste data collected from entities representing 91,928 FTEs.

7.4 Inclusive insurer

As described under the Sustainability Risk Assessment section, doing business sustainably while adhering to United Nation Sustainable Development Goals (SDGs) is identified as an important topic for AXA. As an insurer, it is inherent to our business that we create and develop products that add value to society. Through our products, we encourage and reward healthy and socially responsible behavior, as well as help reduce social exclusion.

In addition, as part of its commitment to Health and disease prevention (one of the four pillars of its CR strategy), AXA decided in 2018 to tackle the rising incidence of obesity and type 2 Diabetes. Acknowledging the link between diet and lifestyle factors and this disease, AXA's initiatives will be guided by health risk education and the promotion of healthy lifestyles.

The initiatives described below are in line with the UN SDG #1 (No poverty), #3 (Good health & wellbeing), and #10 (reduced inequalities).

BUSINESS-RELATED SOCIETAL INITIATIVES

By sharing our knowledge about protection and risk management with those who need it the most, AXA contributes to the inclusive economic growth and mirroring our own internal commitments in terms of inclusion. As AXA pools risks and premiums to share the good fortunes of the majority with the difficulties of the few, insurance protects individuals and reinforces a sense of community. In addition, insurance solutions provide a sense of protection and peace of mind. These include:

- Integrating societal issues in our product range through dedicated product labels such as Assurance Citoyenne;
- Focusing on clients in emerging countries with few financial resources, AXA is actively engaged in the financial inclusion space to better serve the middle class of tomorrow;
- Providing insurance solution and opportunities for women;
- Developing parametric insurance solutions to protect vulnerable populations from the effects of climate change;
- Divesting from the tobacco industry.

Integrating societal issues in product range

In addition to the green products described in the previous section, AXA develops products with social / societal added value. For example:

- In France, demand for responsible products from our clients continues to increase. AXA France thus created, in 2015, the "Assurance Citoyenne" label that ensures all insurance contracts benefit clients as well as positively impact society. This label is based on an assessment toolkit built in collaboration with a panel of external stakeholders and audited by an independent third party. Our engagements are communicated through the label’s four key pillars, which are the following: “Trust” (e.g. simple contracts), “Prevention” (e.g. preventive services to minimize the risks our clients are facing), “Environment” (e.g. paperless contract), and “Fairness” (e.g. product accessibility for populations usually excluded from insurance mechanisms). In 2018, AXA France commercialized 54 labeled products and now builds all its new insurance offers around these engagements. Since 2015, 3.3 million such contracts have been sold;

- In 2018, AXA France launched the Perspectiv'Allegro offer. This product enables clients to invest in companies that are at the heart of social and environmental challenges, such as climate change, longevity, well-being, or changes in lifestyles. All the underlying funds are evaluated on their financial performance and ESG practices, and include labelled platforms (based on official French savings labels). Perspectiv'Allegro accounts for 55% of these funds in Unit-Linked accounts, invested in equities and debt (including green bonds). The remaining 45% is invested in euros funds which integrate AXA's responsible investment screening (see 7.3). Finally, a tree is planted in France for each deposit, to promote reforestation.

Emerging Customers

Through the development of its “Emerging Customer” insurance offer across high-growth markets, AXA addresses social exclusion by enabling vulnerable segments of the population to access insurance services that accompany them in their economic progression and that provide a safety net that prevents them from falling back into poverty. Our approach is to design products that are simple, fair and accessible. A dedicated team based in Paris along with employees either fully or partially dedicated to the business locally provide expert support to AXA entities to drive growth. In 2018, AXA’s Emerging Customers business covered almost 9.3 million unique customers and has continued to develop various partnerships:

- India: Bharti AXA General Insurance (BAGI) partners since 2017 with Airtel Payment Bank (APB) to insure APB clients with free personal accident insurance. The insurance is subsequently renewed for active clients, covering approx. 1 million customers every month in 2018. BAGI covers 1.8 million travellers on the national railways. In addition, BAGI also covers (with the support of the Indian government) more than 360,000 farmers through an agriculture insurance scheme across different departments in India;
- Indonesia: to address the lower middle-class customers asking for a loan, Mandiri-AXA General Insurance leverages its partnership with Mandiri Bank to propose Credit life, Personal Accident, and collateral insurance to all of Mandiri’s microbusiness clients;
- Thailand: AXA GI launched a pilot to provide Personal Accident and Hospital Cash products in partnership with AIS, the first mobile network operator in Thailand, to reward loyal AIS prepaid customers. Alongside the Thai government, AXA GI is also insuring 2.6 million rice farmers;
- Malaysia: In partnership with the Malaysian Post Office, AXA Malaysia is providing accessible accident and two-wheeler insurance to 110 000 customers. AXA Malaysia has also launched (in partnership with Merchantrade, the largest money transfer operator in the country) the first migrant insurance product for workers sending money back home;
- Philippines: AXA Philippines works with TSKI, a leading Microfinance Institution (MFI), as well as several digital players to distribute insurance to emerging customers. AXA Philippines also participates to the Overseas Filipino Workers scheme, which provides protection to working migrants;
- Morocco: AXA Morocco partners since 2012 with a MFI, Albaraka, to provide nearly 150,000 micro-entrepreneurs with credit life, property and hospital cash (“hospicash”) coverages;

- Local AXA entities have also established distribution partnerships in Nigeria (via a MFI), Egypt (MFI, for credit and health products), Brazil (via a leading retailer) and Mexico (MFI, for P&C and credit life insurance to micro-entrepreneurs).

Finally, AXA has started to develop an internal approach to measure the effects insurance can have within communities. The first step has been to work on a methodology to assess the customer centricity of our existing products, and in 2019 the full Emerging Customers portfolio will be evaluated for the first time. The objective is to design an improvement plan that keeps the client at the heart of the business and improves our offer.

Women in Insurance

Women, particularly in emerging countries, are less well insured than men, despite being a powerful force in the economy. In 2014, AXA commissioned a special report, "SheForShield", which looked at women's attitudes towards insurance, as well as their needs and expectations. As a result, we developed the "Women in Insurance" initiative aimed at increasing women's access to insurance products and services that respond to their needs and expectations, in line with our "Payer-to-Partner" vision.

The 3 main focus areas are: women as retail clients, as entrepreneurs and in the distribution force. AXA has developed a dual approach: in mature markets, AXA will empower women to be financially independent, and in emerging markets the objective is to empower women to "live better lives". In 2018, 12 entities included "Women in Insurance" as a strategic priority and 18 products have been developed. This strategy is implemented through our "2020 Women Insurer of Choice" targets:

- 45 % of women retail clients;
- 30 % of SME clients to be women (mirroring the global market opportunity);
- 25 % of women in distribution and sales management;
- 40 % of women amongst recruits and promotions.

Further, through AXA Research Fund, we are dedicating €1 million to research to better understand and prevent health and entrepreneurial barriers for women.

In 2017, AXA also partnered with "Global Invest Her" (GIH), a platform that makes it easier for women entrepreneurs to access capital and expertise to grow their business; 260 applications were received from 57 countries and 5 women entrepreneurs were included in the mentorship program. Together with Sparknews, a social business start-up specialized in media operations, and Makesense, an international community helping social entrepreneurs solve problems, in 2018, AXA launched "Women in Business for Good", a media and mentoring program that highlights and accelerates women businesses addressing social challenges around the world. As part of this collaboration, 100 women entrepreneurs were identified, 6 were chosen to participate in exploration workshops with AXA teams to overcome business challenges, and 3 finalists were selected to partake in a 4 month acceleration program to design and prototype solutions.

The partnership gives us a chance to share our expertise, change and challenge perceptions, and stimulate innovative investment in tech via a mentoring program pairing women entrepreneurs with senior AXA executives. Currently running in Mexico, the US and Nigeria, the program is successfully accelerating women-led businesses, empowering them to develop professionally and co-innovate products with AXA, and become part of our international network.

Parametric insurance

AXA is leveraging the latest advancements in data science and technology to support populations in emerging markets that are vulnerable to climate change. AXA Global Parametrics creates parametric insurance that triggers payouts based on satellite and other weather data just days after a natural disaster or extreme weather event has struck. This allows governments to receive fast funding for emergency response or affected populations to receive food or cash distributions which stops them from falling into poverty traps. The weather data can also be used as an early warning system to kickstart contingency planning before an extreme event hits.

- Africa: AXA Global Parametrics is a lead reinsurer and technical advisor to the African Risk Capacity, a mutual risk pool of African governments that purchase parametric drought insurance. The drought model, that uses satellite rainfall data, allows governments to already anticipate potential droughts in the middle of the relevant crop season;
- Pacific Islands: The Pacific Catastrophe Risk Insurance Company is a risk pool for Pacific Islands that provides parametric typhoon and earthquake coverage to four governments. AXA Global Parametrics is also a lead reinsurer, having contributed to the USD3.5M payout to Tonga last year after it was struck by Cyclone Gita;
- Caribbean Islands and Central America: AXA Global Parametrics reinsures the Caribbean Catastrophe Risk Insurance Facility which parametrically covers 21 countries in the region against cyclones, earthquakes and excess rainfall. A number of governments struck by disasters last year received payouts within 14 days;
- Philippines: The World Bank facilitated a major USD390M coverage for the Philippines protecting 25 municipalities against typhoon and earthquake. AXA Global Parametrics is supporting the deal for the second year;
- Senegal: with support of the West African Development Bank and in partnership with the Senegalese national agriculture insurer and bank as well as the major cotton and maize associations has covered thousands of farmers against drought. The parametric coverage was triggered at the end of 2018 with the President of Senegal himself offering the payout to the farmers' cooperative;
- Cameroon and Côte d'Ivoire: AXA partners with the World Bank Group's Global Index Insurance Facility to develop parametric drought coverage for cotton and maize farmers. AXA Global Parametrics works with AXA Cameroon and AXA Cote d'Ivoire as well as key cooperatives to build these new products.
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Tobacco investment and insurance restrictions

As announced publicly in May 2016, AXA decided to divest from and end insurance covers for the Tobacco industry. AXA believes supporting an industry which is the main cause of long-term non-communicable diseases, including cancer, heart disease and chronic respiratory illnesses, is not compatible with our role as one of the world's largest health insurers, and our strategy to become our clients' health risk prevention partner. We also believe that sending such a signal to markets and regulators reinforces the development of tobacco controls, which ultimately contribute to improving our customers' health, and it is aligned with our broader CR strategy to promote a stronger and safer society. Our divestment covers € 2.05 billion (including XL Group assets added in 2018): equity assets have been divested immediately, while debt assets are run off gradually.

AXA supports the "Tobacco-Free Portfolios" and supported the launch of the Tobacco-Free Finance Pledge at the UN General Assembly in September 2018. This initiative, co-founded by AXA, BNP Paribas, Natixis and AMP Capital, aims to "denormalize" relationships between the financial community and the tobacco industry. It is now supported by more than 130 investors representing $6.8 trillion in assets under management: the strong momentum launched with our divestment continues.

Our divestments are also mirrored on the underwriting side: AXA no longer covers the operations of tobacco manufacturers.

CORPORATE PHILANTHROPY AND ENGAGEMENT

In line with our Sustainability Risk Assessment (described under Chapter 7.1), we have identified community involvement and corporate philanthropy as key enablers of AXA's role as a responsible corporate citizen. As a result, AXA has developed and implemented various policies and initiatives designed to address certain societal concerns, as described below. These can be correlated to the following UN SDGs : #17 "Partnerships for the goals", #4 "Quality Education" and #10 "Reduced inequalities".

Community investment

As a responsible corporate citizen, AXA strives to play a positive role in society, by sharing our business expertise by helping to build better understanding of the risks faced by individuals and society at large, and by building a culture that promotes employee volunteering to support the communities in which we operate. AXA's Community Investment program promotes "risk research and prevention" and assistance to those who need it most. This approach is included in the Group's Community Investment Guidelines encouraging AXA entities to focus their community investments on 4 main pillars: health, environment, social inclusion and new technologies and data.

In 2018, 71% of the €25.8M donated by AXA business entities and the Group (including the AXA Research Fund) were dedicated to community projects addressing these themes. In addition, AXA also provided support for other good causes, including road safety, education and humanitarian aid.

As an extension of its activities, AXA also financially supports several NGOs notably on climate change (CARE) and resilient cities (UN Habitat and C40) as well as cultural institutions to preserve and protect cultural heritage.

As the program tackling child obesity in Mexico (mentioned in our previous Annual Report) was not implemented due to local circumstances, the partnership with UNICEF was terminated.

AXA Research Fund

The AXA Research Fund supports academic projects led by top-tier researchers all over the world in the fields of Health, Climate and Environment, New Technology and Socio-Economic issues. The Fund provides researchers with the means and freedom to complete their work successfully. The awarding of grants is based on strict academic criteria through a transparent and rigorous selection process which is overseen by an independent Scientific Board. AXA's support to scientific research goes beyond funding: to better inform decision making and build a platform for science, the AXA Research Fund provides grantees with communication resources, media and engagement opportunities and encourages exchanges and discussion around supported areas through conferences and events.

In 2018, through the Fund, AXA selected 13 Post-Doctoral Fellowships, 2 AXA Chairs, and 9 Joint Research Initiatives (AXA business/Academic partnerships) and among other strategic projects, supported a joint Chair on women's entrepreneurship with partner private companies. As of 31/12/2018, the AXA Research Fund supported a total of 597 research projects led by researchers of 58 nationalities in 36 countries and a total project funding of €146.6 million.

In 2018, for its 10th anniversary, the AXA Research Fund announced a renewed commitment of €50M over the next five years during an event bringing together grantees, academic partners, public decision makers and AXA management and employees.

More information on the AXA Research Fund is available at axa-research.org.

Employee volunteering

AXA Hearts in Action is an international program for AXA employees, through which they carry out volunteering activities addressing various issues (for example disability, education, environment, health and social welfare). In 2018, more than 34,000 employees (estimate) volunteered their time, mainly through AXA Hearts in Action local programs set up in 38 AXA entities (73% of FTEs), making their skills and time available to conduct community investment projects. Their engagement represented approx. 97,000 hours (93,000 hours in 2017), dedicated by AXA employees to volunteering activities (during working hours).

Every year, AXA entities organize a "CR Week" for employees to volunteer time in favor of the community and increasingly putting the AXA Hearts in Action Program at the forefront. In 2018, more than 36,000 volunteering acts during this event, representing 67,000 hours in support of local communities.

In addition, in 2018 through the 'AXA Expérience Solidaire' skill-based volunteering program (AXA Hearts in Action France), 47 employees performed volunteering missions at partner charities. In total, the salary expenditures paid over the 60,000 hours dedicated to these skill-based volunteering missions represent the equivalent of a €4.5M donation.

7.5 Business behaviour

AXA is committed to conducting its business according to the high ethical principles. This commitment is designed to ensure compliance with laws and regulations in the various jurisdictions where we operate, to earn the continued trust of our clients, shareholders, employees and business partners, but also frequently extends beyond legal obligations on a range of topics about which AXA has strong convictions.

The initiatives described below are notably in line with the UN SDG Goal #16 (Peace, justice and strong institutions).

BUSINESS ETHICS

Compliance & Ethics Guide

AXA's Group Compliance and Ethics Guide seeks to establish Group-wide rules and guidelines to ensure that AXA Group companies and employees have a common understanding of the compliance and ethical standards the Group requires. The Guide covers a variety of matters, including specific rules concerning conflicts of interest, transactions involving AXA securities confidentiality, control of sensitive information and record keeping. The Guide is available on the Group's website (www.axa.com). In 2019, a new AXA Group Compliance & Ethics Code was launched. The Code includes some subjects that have become increasingly important in recent years; these include Health & Safety at work, Protection and Responsible use of Customer Data, Engagement with Social Media, Prevention of Discrimination and Harassment and Fair and Professional Treatment of customers. The content and style of the code has also been revised to make it more accessible and easier to reference.

Anti-Bribery & Corruption (ABC)

To prevent this risk of bribery and corruption, AXA Group has introduced a Group ABC Policy that establishes minimum standards for ABC that must be implemented by AXA entities. This Policy has been regularly updated to take account of new regulations and most notably the recent French law known as "Sapin II". A Group Anti-Bribery Officer has been designated to design and reinforce the global ABC program at Group level and to guide its implementation across AXA. AXA entities have designated local Anti-Bribery Officers to implement their ABC programs in accordance with AXA's Policy. Processes and procedures are in place to monitor compliance with AXA ABC standards across the Group.

Business conduct

The Group's insurance, banking and asset management operations are subject to an increasing number of legislative and regulatory initiatives designed to increase customer protection in the financial services sector. In the European Union, initiatives related to financial service include the Insurance Distribution Directive, MiFID II and the regulation on Key Information Documents for Packaged Retail and Insurance based Investment Products (PRIIPs regulations).

As a result, consumer protection regulations have become an increasingly important area for the financial services sector and AXA has taken significant action to comply with these requirements in each of its businesses operating in the EU. Similar regulatory developments regarding business conduct are also taking place in many other parts of the world in which AXA operates and similar measures are in place to respond to those and to share experience between businesses facing similar challenges. Compliance risks, including business conduct risks, are assessed on an annual basis and the results and any necessary mitigation actions are developed and shared with senior management.

RESPONSIBLE DATA USE AND DATA PRIVACY

In line with AXA's sustainability risk assessment, the Group has put in place various initiatives to promote the use of data to address societal challenges, as well as to ensure client data is protected.

Data privacy

AXA has implemented a Group Data Privacy Policy with the following objectives:

- To ensure that AXA entities adequately protect the personal and sensitive data of customers and other persons obtained during their business activities;
- To minimize the risk of AXA entities breaching applicable data privacy and protection laws (e.g. EU General Data Protection Regulation - GDPR);

AXA has created a Data Privacy team at Group level and a network of over 100 Data Privacy Officers (DPOs) whose mandate is to ensure that personal and sensitive data is protected across the Group.

AXA is the first insurance group to have adopted Binding Corporate Rules (BCR), an internationally recognized standard for the protection of personal data. They were approved by the French Data Protection Authority (CNIL) and 15 other EU Data Protection Authorities (Germany, Austria, Belgium, Spain, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Czech Republic, Romania, United Kingdom, Slovakia, and Sweden). Today, 315 AXA entities have signed up to the BCR. AXA has also published a "Data Privacy Declaration" with a clear commitment to not sell client data to third parties.

AXA has established an advisory board of independent experts on data privacy and the ethics of Artificial Intelligence (AI): the "Data Protection and Ethics Panel". The panel provides critical input to the Group's teams in the area of data privacy and responsible use of AI. This panel meets twice a year and is an important forum to ensure that in a field that is developing very quickly, AXA's strategy around the use of data receives input from independent experts.

The information related to AXA's policy and control mechanisms to address data privacy risks are explained in the "Personal Data Protection" section in Chapter 7.6. Information related to why AXA considers data privacy as a key risk topic is detailed in the "EU Data Protection Reform" sections under Chapters 4.1 and 6.3.

In addition to our data privacy policies, AXA has developed cybersecurity capabilities. Indeed, security is a business imperative. A key success factor for AXA's "payer to partner" strategy is that customers trust AXA to keep them and their data safe and secure. While social unrest, terrorism, disruptive technologies, unpredictable natural disasters, cyber risk and misuse of information are a reality, it is critical for AXA to remain operational in case of crisis, to protect its customers' data, employees, reputation, and assets. Security at AXA is managed by Group Security and based on three disciplines: Information Security, Operational Resilience and Physical Security & Safety. Data hacking, identity theft, and trading of sensitive information are daily threats, in a context where cyber criminals are becoming more and more professional. AXA has developed and strengthened its capabilities to protect, detect and react to cyber threats. AXA employees have a key role to play and are fully part of our Security strategy, and Group Security implements worldwide Security awareness campaigns and training.

Data for good

In addition to protecting data, AXA can leverage it to address certain societal issues, for example as follows:

Give Data Back – AXA has created the "Give data back" website in 2017, one of the first concrete illustrations of our "Payer to Partner" strategy. Its objective is to share information with our customers and non-customers to better protect their homes by understanding and preventing the two most frequent risks (water damage and theft). We opted for data sharing by publicizing the anonymized analysis and consolidation of our claims and policy data for seven European countries (Germany, Belgium, Spain, France, UK, Italy and Switzerland) on these risks. In Mexico, we also share our data about car accidents and identify the most dangerous roadways to alert drivers where they should take precautions to avoid accidents. Since 2017, the website counted 190,000 unique visitors. In Singapore, the website was adapted for its users to better manage and understand motor-related risks. It was launched in conjunction with the AXA Mobility Survey 2018 which seeks to understand public sentiment and perceptions of road safety, and in particular, opinions regarding the more vulnerable road users like the elderly. By sharing these insights and data with society, we hope to not only encourage safer road habits but also to help people in Singapore to understand real risks on the road.

Responsible AI - AXA is one of the founding member (2018) of the French association Impact AI (artificial intelligence), where we are contributed to the creation of an online library of tools for a responsible use of Artificial Intelligence within the working group "Responsible AI". The library includes trainings, technical and governance tools. Impact AI is a "think and do tank" composed of companies, consulting firms, startups, schools and actors working on Responsible AI with 5 programs of actions, such as analyzing the perception of AI and the development of a "trusted AI", sharing tools for a responsible use of AI, helping people adapt to the digital era, and creating partnerships to foster responsible AI among all types of actors (companies, schools, associations, etc.).

High Level Expert Group on Artificial Intelligence - In 2018, AXA joined the High Level Expert Group (HLEG) on Artificial Intelligence whose mandate is to support the implementation of the European strategy on Artificial Intelligence. This includes developing recommendations on future-related policy development and on ethical, legal and societal issues related to AI, including socio-economic challenges. The AI HLEG will serve as the steering group for the European AI Alliance's work, interact with other initiatives, help stimulate a multi-stakeholder dialogue, gather participants' views and reflect them in its analysis and reports. As part of this High Level Expert Group, AXA has contributed to its first report on Responsible AI.

Responsible Procurement

AXA is a major buyer of products and services, both for its internal operating needs and for services to its insured customers. As part of our Sustainability Risk Assessment, we have identified "responsible procurement" as an important topic for AXA. AXA's responsible procurement strategy is based on three pillars:

- Responsible buyer: AXA strives to ensure that our supply-chain practices are fair. Each AXA buyer is required to sign and adhere to the Group's Code of Ethics, which promotes fairness, neutrality, confidentiality and transparency. The Code aims to ensure that financial, operational and reputational risks linked to suppliers selection are mitigated;
- Responsible suppliers: AXA ensures that its suppliers follow responsible practices by requiring them to sign our "Corporate Responsibility Clause" which includes complying with the principles of the International Labor Organization (prohibiting the resort to child / forced labor, promoting employee health & safety and freedom of expression, and non-discrimination). In addition, AXA implemented a CR Risk assessment of its suppliers based on a third party platform (Ecovadis) and a risk categorization. Suppliers are classified into procurement risk categories and evaluated against five CR criteria (environment, social, product & services end-use impact, suppliers' supply chain, and business integrity), then evaluated using the EcoVadis platform scores. An awareness training pack is available for all the procurement community via a network of AXA CR "Champions";
- Responsible goods and products: AXA encourages the procurement of environmentally and socially friendly products and services wherever relevant.

Detailed information on our responsible procurement policy and standard is elaborated in AXA's Group Procurement Guidelines. The document is used for supplier selection and management purposes.

TAX POLICY

Both as a multinational company and as a provider of investments and savings products, the AXA Group follows a responsible and transparent approach on tax issues. Please refer to Chapter 6 for further information on AXA's tax policy.

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT INCLUDED IN THE GROUP MANAGEMENT REPORT

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31th, 2018

To the shareholders

In our capacity as Statutory Auditor of AXA SA (hereinafter the "entity"), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the non-financial statement for the year ended December 31st, 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are available on request from the Company's head office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- The compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and, where applicable, the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, we implemented:
    - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,

- substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities, which are AXA Belgium, AXA Bank Belgium, AXA France VIE, AXA France IARD, AXA Partners Holding SA., 1001 Vies Habitat, AXA Investment Managers Paris, AXA Konzern AG, AXA Business Services, AXA Insurance dac, AXA Assicurazioni, AXA ITALIA Servizi S.c.p.A., AXA MPS Ass.Vita S.p.A., AXA MPS Ass. Danni S.p.A., AXA Partners CLP Operaciones S. de R.L. de C.V., AXA Assistance Mexico S.A. de C.V., AXA Seguros S.A. de C.V., AXA Assurance Maroc, AXA France IARD Maroc, AXA France Vie Maroc, Philippine AXA Life Insurance Corporation, Charter Ping An Insurance Corp, AXA Versicherungen AG and AXA Services Switzerland AG, and covers between 18% and 77% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;

- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of 10 people between September 2018 and March 2019 and took a total of 8 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about fifteen interviews with the people responsible for preparing the Statement, representing Group Public Affairs and Corporate Responsibility, Risk Management, Compliance, Tax, Legal, Procurement and Human Resources.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Comments

Without qualifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

- for some principal risks, including non-compliance by suppliers with the principles of the International Labor Organization and non-compliance with consumer protection regulatory requirements, the entity is currently working on the presentation of key performance indicators (see the “ Methodology and Reporting Scope, : Business Behaviour” section of the Statement);

- The XL entity, representing 6% of the Group’s workforce, is not always included in the consolidation of certain indicators given the integration date in the fourth quarter of 2018 (see “Reporting Scope, Methodology and Perimeter“ and “AXA XL” sections of the Statement).

Neuilly-sur-Seine / March 11th, 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Xavier Crépon	Sylvain Lambert
Partner	Sustainable Development Partner

Appendix: List of the information we considered most important

Quantitative information (among which Key Performance Indicators):

- Environment: energy consumption, distance covered by business travel and vehicle fleet, CO_2 emission by scope, water consumption, office and marketing paper consumption, waste production, “green” investments;
- Human resources: headcounts and distribution, number of external recruitments, number of resignations, number of dismissals, annual gross payroll (fixed and variable), number of training days, absenteeism rate;
- Human rights: number of emerging customers, number of entities which adhered to “Binding Corporate Rules”;
- Social: number of Stakeholder Advisory Panels, cash donations for community investment projects, number of employees who participated to volunteering acts, total hours contributed to volunteering acts;
- Corruption and tax evasion: tax expense of the consolidated financial statements.

Qualitative information (actions and results):

- Environment: information relative to environment and climate change;
- Human resources: information relative to employee relations and work conditions, learning environment and skills management, diversity and inclusion;
- Human rights: information relative to women in insurance, emerging customers, parametric insurance, business behaviour, responsible data use, responsible procurement;
- Social: information relative to the Sustainable Development Goals, stakeholder dialogue, corporate philanthropy and engagement;
- Corruption and tax evasion: information relative to corruption and tax policy.

7.6 Vigilance Plan

AXA Group is committed to promoting and protecting internationally-recognized human rights, fundamental freedoms, health and safety, as well as the environment in the course of its business activities.

To comply with the requirements of French law [5], AXA has adopted a vigilance plan (the "Vigilance Plan") that sets out how AXA has established and implemented safeguards to identify and prevent serious violations of human rights and environmental abuses, and submits its report on the implementation of the Vigilance Plan over the year 2018.

Scope of the Vigilance Plan

The Vigilance Plan applies to AXA Group companies and their respective activities, including intra-group activities and operations, and all AXA employees, worldwide.

It sets out, subject to local law and regulation, certain guiding principles and Group-wide policies designed to ensure that the AXA Group companies and their employees have a common vision of the AXA Group's standards related to human rights and the environment and operate accordingly.

The Vigilance Plan extends to the activities of service providers and suppliers to AXA Group companies with whom there is an established business relationship.

As legally required, the AXA Group conducted an analysis to measure how the AXA Group's activities and operations as defined by applicable laws potentially impact the environment and each of human rights, with a view to ensuring each identified potential risk is covered by an AXA Group policy; it being specified that according to AXA and pursuant to the United Nations' principles, the definition of human rights includes the fundamental freedoms, health and safety.

Identification and evaluation of risks to human rights and the environment

The AXA Group considers its activities do not generate major (high) risks of human rights violations. The Group does estimate however that it may have potential direct and indirect impacts on the human rights of its employees and customers as well potential indirect impacts on the human rights of others through relations with corporate customers that are active in, or through investments in companies which are active in, sectors and/or countries with increased risk of human rights violations.

Consequently, with the support of KPMG, the AXA Group developed a human rights risk assessment that identified the most relevant risks to human rights that the AXA Group should consider in conducting its business. These were identified as risks to the principles of equality before the law and non-discrimination (with respect to minorities), freedom from all forms of forced or compulsory labour, child protection,

[5] Law No. 2017-399 of 27 March 2017 relating to the duty of vigilance of parent companies and instructing companies ("devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre") and Article L. 225-102-4 of the French Commercial Code.

freedom of association, collective bargaining, the right to just and favorable working conditions, liberty and security of the person, the right to health and an adequate standard of living, and the right to privacy.

AXA's direct operations, focusing on financial services, do not generate major impacts on the environment. As a result, AXA's environmental reporting and management processes focus on energy, water and paper consumption, as well as related CO_2 emissions. AXA's comprehensive environmental reporting process, which is verified by an independent third-party, allows AXA to evaluate its impact on and identify risks to the environment from its activities.

Please refer to Section 7.3 "Climate Change and the Environment – Own Operations – Environmental reporting process and verification" of this Annual Report for further information on AXA's environmental reporting process.

As an investor, AXA had proactively implemented a Global Responsible Investment Policy, available on the AXA Group's website (www.axa.com), and built an analysis framework in order to identify potential indirect impacts on human rights and the environment. Please refer to Section 7.3 "Climate Change and the Environment – Investments" of this Annual Report for further information on AXA's investment strategy.

As a business partner, AXA had implemented processes to identify and assess risks to human rights and the environment associated with its use of service providers and suppliers. AXA produced a matrix assessing the level of procurement risks and opportunities categorized by topic (social, environmental, end-use impact, supply chain, business integrity) that allows Group Procurement and Corporate Responsibility teams to identify the risks and analyze their impacts. Risks associated with significant service providers and suppliers belonging to categories identified as medium or high risk are mapped and voluntarily assessed through a specific tool (EcoVadis) at least every two years.

PROTECTION OF HUMAN RIGHTS AND THE ENVIRONMENT

Protection of human rights and AXA's Human Rights Policy

AXA's Human Rights Policy (the "Human Rights Policy"), available on the AXA Group's website, aims at preventing the violation of human rights and reflects the AXA Group's commitment to international general and sector-specific standards such as the United Nations Global Compact, the United Nations Principles for Responsible Investment and the UN Principles for Sustainable Insurance. The Human Rights Policy describes AXA's commitments in its own operations as an employer and a responsible business partner but also as an insurer and an investor and how the protection of human rights is implemented at the core of AXA's activities.

Protection of employee human rights

AXA is committed to protecting AXA employees' human rights, specifically the principles of freedom of association, the right to just and favourable working conditions, and non-discrimination, through:

- AXA Compliance & Ethics Guide, available on the AXA Group's website, with which employees need to annually certify compliance;

- promoting the 10 guiding principles of the UN's Global Compact, of which principles 1 & 2 relate to human rights and principles 3 to 6 to labour standards, and encouraging reporting of breaches to the compliance function;
- setting ambitious Diversity and Inclusion (D&I) targets and initiatives.

Please refer to Section 7.2 "Social Information – Employee relations and work conditions – A continuous and established social dialogue" of this Annual Report for further information on AXA employee relations and collective bargaining.

Protection of employee health and safety

The AXA Group had implemented a security standard with which entities must certify compliance covering physical security and health and safety. These standards set out processes to identify local health and safety requirements, to report health and safety issues as well as consult and train AXA employees.

See further details in Section 7.2 "Social Information– Employee relations and work conditions – Secured and processed work conditions" of this Annual Report.

Personal data protection

The AXA Group is also committed to using information relating to an identified or identifiable physical person ("Personal Data") in a responsible manner and safeguarding employee and client privacy, to ensure responsible, transparent and ethical treatment of Personal Data in line with the applicable legislation on Personal Data protection. AXA's Data Privacy Declaration, the public statement covering AXA's network of privacy-related policies, including the fact that AXA Group undertakes not to sell Personal Data of its customers, is available on the AXA Group's website.

AXA was the first insurance group to have adopted privacy-related Binding Corporate Rules, available on the AXA Group's website, to define processing principles and actions (*e.g.* trainings, governance, responsibilities) to ensure data protection and the responsible transfer of data. The Binding Corporate Rules are the result of consultations with European data protection authorities, and constitute an internationally approved data privacy contractual framework for the treatment of customer, employee and other stakeholder Personal Data that multinationals such as AXA encounter and collect in the course of their business activities.

In addition to this leading position on data privacy, AXA has an Advisory Board of independent experts, established in 2015, whose purpose is to provide insights to the Group on strategy and governance in this area. The Advisory Board addresses data protection policies, legislation and ethics, the interaction of privacy and technology, and marketing and operational aspects of data privacy including use in the insurance industry, and assists AXA in positioning itself publicly with respect to data privacy issues.

Finally, from 2016 to 2018, the AXA Group is fully committed to the implementation of the General Data Protection Regulation (GDPR), through some thirty projects dedicated to data privacy implemented in the AXA Group involving over three hundred people and entities located in sixteen countries. The AXA Group welcomed the new Regulation of the European Parliament, which was already in accordance with the commitments made to stakeholders.

See further details in Section 7.5 Business behaviour – Responsible data use and data privacy – Data privacy.

Integration of human rights into business processes

As an insurer, AXA strives to incorporate Environmental, Social and Governance (ESG) criteria (including those relating to human rights) into its insurance business processes, in line with AXA's commitment to the UN Principles for Sustainable Insurance. Further, underwriting guidelines define prohibited business and integrate AXA's policies regulating insurance activities in sectors that represent increased risks, which policies can be directly or indirectly related to human rights.

AXA further seeks to support its customers' rights while preventing or mitigating adverse human rights impacts that may arise from the provision of insurance products and services to corporate customers by:

- ensuring fair treatment of all customers;
- offering products and services which help reduce social exclusion and empower people to achieve positive health and safety outcomes;
- providing customers with the means to express and resolve any disputes that may arise with AXA Group companies, notably through dedicated complaints departments.

Please refer to Sections 7.3 "Climate Change and the Environment - Investments" and 7.4 "Inclusive insurer – Business-related societal initiatives" of this Annual Report for further information on integration of ESG criteria in products & services.

Please refer to Section 7.3 "Climate Change and the Environment - Investments" of this Annual Report for further information on the protection of human rights in the context of AXA's investments.

Protection of the environment and AXA's strategy

The AXA Group's Environmental Policy, available on the AXA Group's website, describes key actions aimed at reducing AXA's *direct* and *indirect* environmental impacts.

In particular, in 2013, AXA's ambitious environmental targets for 2020 embedded environmental strategy, notably focused on the reduction of carbon emissions, one of the main contributors to climate change, into the heart of AXA's strategy.

AXA also seeks to minimize its indirect impact on the environment by offering customers insurance and investment solutions that promote environmentally-friendly behaviour.

Part of AXA's sites benefit from environmental certificates such as BREEAM, LEED, HQE. Please refer to Section 7.3 "Climate Change and the Environment – Own Operations – 2018 performance overview - Power consumption" of this Annual Report for further details on AXA's certifications.

Please refer to Section 7.3 "Climate Change and the Environment" of this Annual Report for further details on the strategy, policy, targets and results.

Responsible investment activities

As an investor, AXA seeks to integrate ESG criteria considerations into its investment strategy. In line with the Group Responsible Investment Policy, available on the AXA Group's website, the Group has in particular designed five sector policies to address investments in particularly sensitive sectors from an ESG perspective.

These guidelines cover human rights and environmental concerns (*i.e.* controversial weapons, tobacco, coal mining, palm oil production), and entities are required to certify compliance.

Please refer to Section 7.3 "Climate Change and the Environment - Investments" of this Annual Report for detailed information about AXA's responsible investment governance, policy, targets and results.

Responsible procurement activities

As a business partner, AXA works with service providers and suppliers including professional service firms and advisers as well as companies providing technical and maintenance services.

The AXA Group ensures that it works with service providers and suppliers that meet AXA standards with respect to human rights and the environment. Please refer to Section 7.5 "Business behaviour – Responsible procurement" of the Annual Report for detailed information.

Alert Procedure

The current alert procedure allows all stakeholders (employees, business partners, etc.) to share their doubts and/or report any practice, action or behaviour that they consider inappropriate, illegal, unethical. Alerts can be made within the relevant entity or also sent directly to the Group. Since 2017, the Group has had a dedicated email (speak-up@AXA.com) for receiving alerts from all geographical areas where the Group conducts business, irrespective of the stakeholders in question and without restrictions.

The AXA Group examines all alerts received with the objective of ensuring an adequate response (intervention of adequate actors, deployment of immediate corrective actions and/or precautionary measures, investigations etc.). Alerts are handled in accordance with a strict, independent process that includes key stakeholders in the Vigilance Plan where relevant. The author of the alert's identity is treated in a confidential manner and no element enabling to identify him/her can be disclosed without his/her consent (except for judicial authorities). Furthermore, AXA does not tolerate any act of retaliation against anyone who makes a good faith report of actual or suspected misconduct and/or has participated in establishing the facts confirming a misconduct by providing evidence.

All AXA Group companies are required to define internal regulations and other policies governing whistleblowing pursuant to local laws and regulations. In 2018, after considering whether its employees had been sufficiently encouraged to report any deviant practices, the Group defined action plans aimed at bolstering its communications around the procedure. These action plans will be rolled out in all Group entities beginning in Q2 2019.

Stakeholder Involvement

It is essential for AXA to dialogue on the Vigilance Plan with the French employee representatives, and to further promote dialogue over this Vigilance Plan with its employees, shareholders, investors, business partners as well as public institutions, international organisations and community groups.

Please refer to Section 7.1 "Introduction – CR governance & stakeholder dialogue" of this Annual Report for further details about the stakeholder dialogue implemented by AXA.

MONITORING OF THE VIGILANCE PLAN

The AXA Group ensures the implementation of all policies and procedures described in this Vigilance Plan through a network of professionals including in compliance, data privacy, corporate responsibility and physical security.

REPORT ON EFFECTIVE IMPLEMENTATION OF THE VIGILANCE PLAN

In 2018, various working groups involving representatives from the Group Legal Department, the Human Resources Department, the Corporate Responsibility Department, the Procurement Department, the Compliance Department and the Risk Management Department were involved not only in reviewing the Vigilance Plan but also in its effective implementation.

Reporting process

One of the first steps in implementing the Vigilance Plan was the presentation to Group entities in France or abroad of the new French regulations on the duty of vigilance of parent companies and instructing companies, along with the penalties incurred for non-compliance with the resulting legal obligations.

In addition, in order to disseminate the Group's Vigilance Plan as widely as possible and to raise awareness of its full content among all its stakeholders, a reporting process was established for Group entities. The Group entities were asked to review the Vigilance Plan, to discuss its provisions with their local Corporate Responsibility and Compliance managers and express any comments on the Vigilance Plan, as well as on any difficulties they might anticipate and/or encounter with its implementation.

This reporting process enabled the Group entities to carry out an internal risk assessment and to identify areas where improvement was necessary to implement the Vigilance Plan at their level. At Group level, the conclusions drawn from this reporting enabled the identification of a few entities whose internal practices and policies were not in strict compliance, on certain points, with the Vigilance Plan. To remedy this discrepancy, the entities at issue determined, in association with the Group, the appropriate corrective actions to implement locally, e.g.: establishing a system for human rights and environmental audits of local service providers, inserting CR clauses in certain commercial contracts, or amending local reporting policies to cover human rights and/or environmental matters.

Alert procedure

At entity level, most alert procedures currently apply to serious violations relating to financial, banking and accounting matters, fight against corruption, data theft, discrimination, workplace harassment and the protection of health, hygiene and security at work and more generally, violation of laws, regulations and standards of the AXA Group.

In 2018, entities were reminded that they were required to set up a human rights and environmental alert procedure or to extend the scope of their alert procedure in accordance with local regulations. At the date of this Annual Report, a few entities are still adapting the scope of their alert procedure in order for it to cover the protection of human rights and of the environment.

XL Group

Entities of the XL Group acquired by AXA in 2018, although still in the integration phase, are particularly concerned with complying with AXA Group standards and specifically the Vigilance Plan within a reasonable interval. These entities are already working on implementing due diligence processes enabling them to select service providers and suppliers that meet AXA standards for human rights and environmental observance and on updating their internal alert procedure to comply with Group standards.

Responsible purchasing business

The AXA Group selected its panel of main suppliers in 2018 using an approach based on an analysis of supplier risk by purchasing category and volume. Most of the main suppliers were evaluated, inter alia, thanks to the specialised evaluation platform EcoVadis. With the assessment, the Group ascertained that very few of its main suppliers had been identified as deficient. EcoVadis has sent to the said suppliers a corrective action plan. The main suppliers belonging to the panel of the AXA Group may be assessed through EcoVadis every two years.

The AXA Group is pursuing its commitment to applying these same principles and received a “Gold” score in its last EcoVadis evaluation.

Most contracts concluded or renewed in 2018 included a "Corporate Responsibility clause" or "CR clause", requiring Group suppliers to be socially and environmentally responsible and to abide by International Labour Organization standards.

For more information, please refer to Section 7.5 “Business behaviour – Responsible Procurement”.

Stakeholder engagement

With the aim of maintaining effective communication between employees and Management and a constructive social dialogue, the Vigilance Plan was presented to employee representatives in 2018. Through discussions established with the Group's employee representatives in France and more particularly with the Social Committee of the Group France Works Council, certain provisions of the Vigilance Plan have been placed at the heart of the employer-employee dialogue.

The AXA Group also wanted to share its Vigilance Plan with the international organisation CARE, with which it has a longstanding partnership, in the interests of addressing key social and/or environmental issues such as disaster risk reduction, or climate change and financial inclusiveness, to identify areas for progress.

For more information about CARE, please refer to Section 7.3 “Climate Change and the Environment – Investments – Climate and ESG “outreach” and engagement – Outreach, memberships and partnerships” of this Annual Report.

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FREE TRANSLATION FROM THE DUTCH AND FRENCH REPORT

AXA BANK BELGIUM SA/NV

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2018

4 April 2019

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY AXA BANK BELGIUM SA/NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of AXA Bank Belgium SA/NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting dd. 27 April 2017, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of AXA Bank Belgium SA/NV for 20 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR '000' 26.952.589 and a profit for the year of EUR '000' 44.937.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2018, and of its consolidated financial performance and its consolidated 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.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Estimation uncertainty with respect to financial instruments measured at fair value</u>

Description of the Key Audit Matter

The current economic climate and low interest rate environment affect the fair value measurements of the financial instruments measured at fair value of the Group. Details regarding the valuation of financial instruments at year-end 31 December 2018 are included in the notes to the consolidated financial statements 5 and 6. The applicable valuation rules are described in Note 2 to the consolidated financial statements (chapter “Financial assets and liabilities”).

For certain financial instruments, a quoted price is not immediately available to determine the fair value. Valuation techniques and -models used to determine the fair value in these cases are inherently subjective and make use of various assumptions concerning pricing. In addition, the number of factors influencing the determination of fair value can be extensive and can vary both per type of instrument and/or within instrument types. The use of different valuation methods and assumptions could lead to significantly different estimates of fair value. Furthermore, adjustments to the fair value of certain positions measured at fair value are recognized in profit and loss or in the equity. These adjustments are driven by the current market conditions, the evolutions in the credit risk parameters, the interest rate environment and the financing costs, all elements that have an impact on the fair value of financial instruments measured at fair value. The most important adjustments to the fair value are included in Note 5.4 and 5.5 to the consolidated financial statements. Since the use of different assumptions could lead to different estimates of fair value, we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

We have gained an understanding of the internal control environment concerning the valuation of financial instruments, including the control procedures carried out on the prices and the validation process of the models. We have assessed the appropriateness of the methodology used for the validation process of the models with the assistance of our valuation experts and have performed a recalculation of a sample of fair value valuations. This involves an assessment, based on our experience with market practices, of the market data, the basic data and the key assumptions used in the fair value measurement models. Based on our procedures, we conclude that the outcome of management concerning the models used for determination of the fair value of financial instruments for which a quoted price is not immediately available, falls within a reasonable and acceptable range of outcomes. Finally, we assessed the completeness and accuracy of the disclosures regarding the fair value of these financial instruments to assess the compliance with the requirements for the explanatory notes included in the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Accuracy and completeness of deferred taxes

Description of the Key Audit Matter

The Group has recognized significant amounts of deferred tax assets and liabilities ('deferred taxes'). Details regarding deferred taxes at year-end 31 December 2018 are included in the notes to the consolidated financial statements 6 and 16. The applicable valuation rules are described in Note 2 to the consolidated financial statements (chapter: "Taxes"). These deferred taxes are on the one hand driven by tax losses carried forward for which the recoverability is dependent on the realization of the business plan. The use of different assumptions in the business plan could produce different estimates of future taxable profit, affecting the measurement of the deferred tax asset. On the other hand, the deferred taxes are driven by several temporary differences between IFRS and local taxation principles. Considering the complexity of the assessment of the appropriateness and consistent application of the applied accounting principles and assumptions used we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

Management consistently justifies the recoverability of the deferred tax asset from carried forward tax losses based on a 5-year projection. Based on Management's estimate, we assessed that the tax losses carried forward are recoverable within 5 years (most of the tax losses will be recovered by the end of 2019). Based on this assessment sufficient headroom is available (sufficient expected profits in the coming 5 years) to conclude that the risk of non-recoverability of these deferred tax assets is remote. Furthermore, we have paid particular attention to the process of identifying and accurately accounting for temporary differences between IFRS and local taxation principles. Finally, we assessed the completeness and accuracy of the disclosures regarding deferred taxes to assess the compliance with the requirements for the explanatory notes included in the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Credit risk and impairment of loans

Description of the Key Audit Matter

The appropriateness of the impairment allowances for loans and advances requires significant judgment of management. Measuring impairment allowances for loans and advances under IFRS 9 requires an assessment of 12-month or lifetime expected credit losses and the assessment of significant increases in credit risk or whether loans at amortised cost are in default. At year-end 31 December 2018 information regarding impairment allowances for loans is included in note 15 to the consolidated accounts, in application of the valuation rules as described in Note 2 (chapter "Financial assets and liabilities").The assessment of significant increases in credit risk, the assessment of whether loans at amortised cost are in default and the measurement of 12-month or lifetime expected credit losses are part of the estimation process of the Group and are, amongst others, based on macroeconomic scenarios, credit risk models, triggers indicating a significant increase in credit risk and default triggers, the financial condition of the counterparty, the expected future cash flows or the value of collateral. The use of different modelling techniques, scenarios and assumptions could lead to different estimates of impairment charges on loans and advances. As the loans and advances represent the majority of the Group's balance sheet and given the related estimation uncertainty on impairment charges, and following the increasing complexity introduced by the use of models, we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

Our audit procedures included an assessment of the overall governance of the credit and impairment process of the Group, including the 12-month and lifetime expected loss modelling processes. We have assessed and tested the design and operating effectiveness of the controls within the loan origination process, risk management process and the estimation process for determining impairment allowances. We assessed the appropriateness of the model validation methodology with the assistance of our credit risk experts. Additionally, we challenged the backtesting exercise performed to monitor the Exposure At Default ('EAD'), Probability of Default ('PD'), and Loss Given Default ('LGD') components of the model. For loan impairment allowances determined on an individual basis we have performed, for a sample of mortgage loans, a review of loans granted by the Group. We challenged the default triggers and the quantification including the valuation of underlying collateral and estimates of recovery on default. These tests have not resulted in in any significant exceptions. For the loan 12-month and lifetime expected credit loss impairment allowances, we challenged the significant increases in credit risk triggers and the macroeconomic scenarios and tested the underlying models including the Group's model approval and validation process. In our opinion the impairments recognised by management were within a reasonable range of outcomes in the context of the overall loans and advances generally, and the related uncertainties as disclosed in the consolidated accounts.

Finally, we assessed the completeness and accuracy of the disclosures related to the impairment allowances for loans and advances as well as whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups. The Company has referred in the directors' report to the non-financial information prepared at group level and has added additional information at the level of the Company. However, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups as disclosed in the consolidated accounts.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts and our registered audit firm remained independent of the Group in the course of our mandate.

- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 4 April 2019

The statutory auditor
PwC Reviseurs d'Entreprises / Bedrijfsrevisoren cvba
Represented by

Gregory Joos
Réviseur d'Entreprises / Bedrijfsrevisor