# AXA Bank Belgium

# 2019 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).

# Consolidated Income Statement

| Consolidated income statement in '000 EUR | 2019.12 | 2018.12 | Disclosure |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Financial & operating income and expenses | 306.024 | 320.315 | |
| Interest income | 2.000.012 | 2.096.150 | |
| *Financial assets held for trading (if accounted for separately)* | 1.464.382 | 1.556.852 | |
| *Non-trading financial assets mandatorily at fair value through profit or loss* | | | |
| *Financial assets designated at fair value through profit or loss (if accounted for separately)* | | | |
| *Financial assets at fair value through other comprehensive income* | 30.391 | 32.800 | |
| *Financial assets at amortised cost* | 449.344 | 454.990 | |
| *Derivatives - Hedge accounting, interest rate risk* | 46.925 | 45.718 | |
| *Other liabilities* | | | |
| *On liabilities* | 8.970 | 5.790 | |
| (Interest expenses) | 1.633.159 | 1.812.761 | |
| *Financial liabilities held for trading (if accounted for separately)* | 1.335.316 | 1.520.645 | |
| *Financial liabilities designated at fair value through profit or loss (if accounted for separately)* | 40.440 | 27.333 | |
| *Financial liabilities measured at amortised cost* | 103.579 | 119.067 | |
| *Derivatives - Hedge accounting, interest rate risk* | 145.242 | 132.503 | |
| *Other liabilities* | | | |
| *On assets* | 8.581 | 13.215 | |
| Expenses on share capital repayable on demand | | | |
| Dividend income | 900 | | |
| *Financial assets held for trading (if accounted for separately)* | | | |
| *Non-trading financial assets mandatorily at fair value through profit or loss* | | | |
| *Financial asssets at fair value through other comprehensive income* | 900 | | |
| *Investments in subsidiaries, joint ventures and associates other than accounted for using the equity method* | | | |
| Fee and commission income | 86.037 | 90.726 | 7 |
| (Fee and commission expenses) | 86.059 | 77.250 | |
| Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, | 40.203 | 9.213 | 8 |
| *Financial assets at fair value through other comprehensive income* | 7.110 | 5.774 | |
| *Financial assets at amortised cost* | 33.094 | 3.438 | |
| *Financial liabilities measured at amortised cost* | | | |
| *Other* | | | |
| Gains (losses) on financial assets and liabilities held for trading (net) | -106.111 | -39.931 | |
| *Equity instruments and related derivatives* | 4.344 | -27.271 | |
| *Interest rate instruments and related derivatives* | -126.438 | -10.658 | |
| *Foreign exchange trading* | 15.984 | -2.002 | |
| *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 | | | |
| Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net) | -6.511 | 27.921 | 9 |
| Gains (losses) from hedge accounting | 4.365 | 928 | 10 |
| Exchange differences , net | -11.478 | 3.720 | |
| Gains (losses) on derecognition of assets other than held for sale, net | | | |
| Other operating net income | 17.826 | 21.600 | 11 |

| Consolidated income statement in '000 EUR | 2019.12 | 2018.12 | Disclosure |
|---|---|---|---|
| Administration costs | 228.329 | 228.976 | |
| *Personnel expenses* | 92.534 | 92.928 | 13 |
| *General and administrative expenses* | 135.795 | 136.048 | 14 |
| Depreciation | 5.162 | 6.182 | |
| *Property, Plant and Equipment* | 2.253 | 2.095 | 23 |
| *Investment Properties* | | | |
| *Intangible fixed assets (other than goodwill)* | 2.909 | 4.087 | 24 |
| Modification gains or (-) losses, net | | | |
| *Financial assets at fair value through other comprehensive income* | | | |
| *Financial assets at amortised cost* | | | |
| Provisions | -6.432 | 5.762 | |
| Impairment losses on financial assets not measured at fair value through profit or loss | 9.346 | 19.542 | |
| *Financial assets at fair value through other comprehensive income* | | -111 | |
| *Financial assets at amortised cost* | 9.346 | 19.653 | |
| 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 | 69.619 | 59.853 | |
| Tax expense (income) related to profit or loss from continuing operations | 19.995 | 14.916 | 16 |
| TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS | 49.624 | 44.937 | |
| Total profit or loss after tax from discontinued operations | | | |
| TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST | 49.624 | 44.937 | |
| Profit or loss attributable to minority interest | | | |
| NET PROFIT OR LOSS | 49.624 | 44.937 | |

Table CIS.1

| Consolidated statement of realised and non-realised results in '000 EUR | 2019.12 | 2018.12 | |
|---|---|---|---|
| PROFIT (LOSS) FOR THE YEAR | 49.624 | 44.937 | |
| NON-REALISED RESULTS | | | |
| **Elements not transferrable to result** | -10.699 | 11.357 | |
| *Actuarial gains (losses) on defined benefit pension plans* | -13.296 | 1.029 | (3) |
| *Fair value changes of financial liabilities at fair value through profit or loss that is attributable to changes in their credit risk* | -1.010 | 14.140 | (4) |
| *Fair value changes of equity instruments measured at fair value through other comprehensive income* | 30 | -21 | (5) |
| *income tax related to previous elements* | 3.576 | -3.792 | |
| **Transferred to profit or loss** | -16.597 | -25.542 | |
| Foreign currency translation | | | |
| *Translation gains/losses taken to equity* | | | |
| *Transferred to profit or loss* | | | |
| *Other reclassifications* | | | |
| Cash flow hedges (effective portion) | | | (1) |
| *Valuation gains/losses taken to equity* | | | |
| *Transferred to profit or loss* | | | |
| *Transferred to initial carrying amount of hedged items* | | | |
| *Other reclassifications* | | | |
| Financial assets at fair value through other comprehensive income | -22.170 | -34.285 | (2) |
| *Valuation gains/losses taken to equity* | -36.562 | -57.028 | |
| *Transferred to profit or loss* | 14.392 | 22.743 | |
| *Other reclassifications* | | | |
| Income tax relating to components of other non-realised results | 5.573 | 8.743 | |
| TOTAL NON-REALISED RESULTS FOR THE YEAR | -27.296 | -14.185 | |
| TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR | 22.328 | 30.753 | |
| Attributable to equity holders of the parent | 22.328 | 30.753 | |
| 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) | 2019.12 | 2018.12 |
|---|---|---|
| Gross | 0 | 0 |
| Tax | 0 | 0 |
| Net | 0 | 0 |

| Financial assets at fair value through other comprehensive income (2) | 2019.12 | 2018.12 |
|---|---|---|
| Gross | -22.170 | -34.285 |
| Tax | 5.573 | 8.743 |
| Net | -16.597 | -25.542 |

| Actuarial gains (losses) on defined benefit plans (3) | 2019.12 | 2018.12 |
|---|---|---|
| Gross | -13.296 | 1.029 |
| Tax | 3.324 | -257 |
| Net | -9.972 | 772 |

| Fair value financial liabilities-own credit risk (4) | 2019.12 | 2018.12 |
|---|---|---|
| Gross | -1.010 | 14.140 |
| Tax | 252 | -3.535 |
| Net | -757 | 10.605 |

| Fair value changes of equity instruments measured at fair value through other comprehensive income (5) | 2019.12 | 2018.12 |
|---|---|---|
| Gross | 30 | -21 |
| Tax | 0 | 0 |
| Net | 30 | -21 |

Table CIS.3

# Consolidated Balance Sheet

| Consolidated Balance Sheet - Assets in '000 EUR | 2019.12 | 2018.12 | Annexes |
|---|---|---|---|
| Cash and balances with central banks | 1.048.725 | 403.853 | 17 |
| Financial assets held for trading | 744.435 | 773.776 | 18 / 22 |
| Non-trading financial assets mandatorily at fair value through profit or loss | | | 19 |
| Financial assets designated at fair value through profit or loss | | | 19 |
| Financial assets at fair value through other comprehensive income | 1.714.298 | 2.319.297 | 20 |
| Financial assets at amortised cost * | 24.176.566 | 22.817.320 | 21 |
| Derivatives - hedge accounting | 8.224 | 17.584 | 22 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 876.868 | 403.252 | |
| Tangible fixed assets | 37.163 | 37.297 | |
| *Property, Plant and Equipment* | 37.163 | 37.297 | 23 |
| *Investment property* | | | |
| Intangible fixed assets | 16.700 | 13.258 | |
| *Goodwill* | | | |
| *Other intangible assets* | 16.700 | 13.258 | 24 |
| Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill) | 12.137 | | 25 |
| Tax assets | 26.282 | 31.366 | |
| *Current tax assets* | 196 | 285 | 16 |
| *Deferred tax assets* | 26.086 | 31.080 | |
| Other assets | 128.451 | 135.587 | 26 |
| Non-current assets and disposal groups classified as held for sale | | | |
| TOTAL ASSETS | 28.789.849 | 26.952.589 | |

Table CBS.1

(*) includes reverse repos for an amount of 688 million EUR in 2019 and 960 million EUR in 2018.

As stated under chapter 33 'Offsetting', AXA Bank Belgium also applies this offsetting to repos and reverse repos transactions with counterparties with which master offsetting agreements have been concluded which allow offsetting under all circumstances (2000 and 2011 version). The impact of this offsetting amounts to 157.8 million EUR

| Consolidated Balance Sheet - Liabilities in '000 EUR | 2019.12 | 2018.12 | Annexes |
|---|---|---|---|
| Financial liabilities held for trading | 444.968 | 353.394 | 27 |
| Financial liabilities designated at fair value through profit or loss | 1.129.931 | 1.215.175 | 28 |
| Financial liabilities measured at amortised cost | 25.179.667 | 23.868.409 | 29 |
| *Deposits from Credit institutions* | 2.454 | 2.023 | |
| *Deposits from Other than credit institutions* | 19.571.863 | 18.187.591 | |
| *Debt certificates including bonds* | 4.716.902 | 4.821.556 | |
| *Subordinated liabilities* | 18.431 | 26.794 | |
| *Other financial liabilities* | 870.018 | 830.446 | |
| Financial liabilities associated with transferred assets | 499.795 | | 30 |
| Derivatives - hedge accounting | 58.394 | 68.500 | 22 |
| Fair value changes of the hedged items in a portfolio hedge of interest rate risk | | | |
| Provisions | 240.151 | 233.775 | 31 |
| Tax liabilities | 25.536 | 32.643 | |
| *Current tax liabilities* | 25.332 | 29.142 | 16 |
| *Deferred tax liabilities* | 204 | 3.501 | |
| Other liabilities | 45.408 | 35.658 | 32 |
| Liabilities included in disposal groups classified as held for sale | | | |
| Share capital repayable on demand ( e.g. cooperative shares) | | | |
| **TOTAL LIABILITIES** | **27.623.850** | **25.807.553** | |

Table CBS.2

| Consolidated Balance Sheet - Equity<br>in '000 EUR | 2019.12 | 2018.12 | Annexes |
|---|---|---|---|
| Share capital | 636.318 | 636.318 | |
| *Paid in capital* | 636.318 | 636.318 | |
| *Called up share capital* | | | |
| Share premium | | | |
| Other Equity | 90.677 | 91.552 | |
| *Equity component of combined financial instruments* | 90.000 | 90.000 | |
| *Other* | 677 | 1.552 | |
| Non-realised results | -24.580 | 2.716 | |
| Items that will not be reclassified to profit and loss | -36.997 | -26.298 | |
| *Tangible fixed assets* | | | |
| *Intangible fixed assets* | | | |
| *Actuarial gains/losses relating to defined benefit plans* | -28.581 | -18.609 | |
| *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* | 961 | 931 | |
| *Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income* | | | |
| *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* | -9.377 | -8.620 | |
| *Items that may be reclassified to profit and loss* | 12.417 | 29.014 | |
| *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* | 12.417 | 29.014 | |
| *Hedging instruments [not designated elements]* | | | |
| *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) | 413.960 | 369.512 | |
| <Treasury shares> | | | |
| Income from current year | 49.624 | 44.937 | |
| <Interim dividends> | | | |
| Minority interest | | | |
| *Revaluation reserves and other valuation differences* | | | |
| *Other items* | | | |
| **TOTAL EQUITY** | **1.165.999** | **1.145.035** | 35 |
| **TOTAL LIABILITIES AND EQUITY** | **28.789.849** | **26.952.589** | |

Table CBS.3

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

| 2019-12 | Gross value | Impact on taxes | net value |
|---|---|---|---|
| Opening balance (current year) | 39.657 | -9.712 | 29.945 |
| **Investment brought in prior accounting periods** | | | |
| Transfer to P&L following sale | -7.110 | 1.790 | -5.320 |
| Transfer to P&L following impairment write back following recovery in value | 0 | 0 | 0 |
| 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 | 21.502 | -5.413 | 16.089 |
| Foreign exchange impact | 0 | 0 | 0 |
| Adjustments in the current accounting period | -36.533 | 9.196 | -27.337 |
| **Investments bought in the current accounting period** | | | |
| Adjustements in the current accounting period | | | |
| Closing balance | 17.516 | -4.139 | 13.377 |

Table CBS.4

| 2018-12 | Gross value | Impact on taxes | net value |
|---|---|---|---|
| Closing balance (last year) | 63.675 | -15.881 | 47.794 |
| Impact IFRS 9 | 10.287 | -2.574 | 7.713 |
| Opening balance (current year) | 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 following 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.5

# Consolidated Statement of Changes in Equity

| Sources of equity changes 2019.12 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 (current year)** | **636.318** | **90.000** | **1.552** | **0** | **0** | **29.945** | **-18.609** | **-8.620** | **0** | **369.512** | **44.937** | **1.145.035** |
| changes in capital | | | | | | | | | | | | 0 |
| issuance | | | | | | | | | | | | 0 |
| profit (loss) | | | | | | | | | | | 49.624 | **49.624** |
| Dividends declared | | | | | | | | | | | | 0 |
| Change in fair value of financial assets at fair value through other comprehensive income | | | | | | -16.567 | | | | | | **-16.567** |
| changes in fair value | | | -875 | | | | -9.972 | -757 | | | | **-11.604** |
| cash flow hedges | | | | | | | | | | | | 0 |
| releases to retained earnings | | | | | | | | | | 44.448 | -44.937 | **-489** |
| capital reduction | | | | | | | | | | | | 0 |
| other | | | | | | | | | | | | 0 |
| **Closing balance** | **636.318** | **90.000** | **677** | **0** | **0** | **13.378** | **-28.581** | **-9.377** | **0** | **413.960** | **49.624** | **1.165.999** |

**Table CSCE.1**

* of which 49.6 million EUR attributable to the shareholders of the parent company

| 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

# Consolidated Cash Flow Statement

| OPERATING ACTIVITIES | 2019.12 in '000 EUR | 2018.12 in '000 EUR |
|---|---|---|
| **Net profit (loss)** | 49.624 | 44.936 |
| Adjustments to reconcile net profit or loss to net cash provided by operating activities: | -100.728 | 12.263 |
| (Current and deferred tax income, recognised in income statement) | | |
| Current and deferred tax expenses, recognised in income statement | 19.995 | 14.916 |
| Unrealised foreign currency gains and losses | | |
| FV through P&L | -120.723 | -2.653 |
| INVESTING AND FINANCING | -4.061 | 31.485 |
| Depreciation | -6.975 | 6.182 |
| Impairment | 9.346 | 19.541 |
| Provisions net | -6.432 | 5.762 |
| Other adjustments | -12.063 | 5.686 |
| **Cash flows from operating profits before changes in operating assets and liabilities** | -67.228 | 94.370 |
| Decrease (increase) in working capital (excl. cash & cash equivalents): | 735.890 | -215.665 |
| Decrease (increase) in operating assets (excl. cash & cash equivalents): | -749.266 | 186.057 |
| Decrease (increase) in balances with central banks | | |
| Decrease (increase) in financial assets at amortised cost | -1.368.592 | -915.406 |
| Decrease (increase) in financial assets at fair value through other comprehensive income | 588.402 | 614.304 |
| Decrease (increase) in financial assets held for trading | 29.341 | 473.515 |
| 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 | | |
| Decrease (increase) in asset-derivatives, hedge accounting | 9.360 | 49.968 |
| Decrease (increase) in other assets (definition balance sheet) | -7.777 | -36.324 |

| OPERATING ACTIVITIES | 2019.12 in '000 EUR | 2018.12 in '000 EUR |
|---|---|---|
| Increase (decrease) in operating liabilities (excl. cash & cash equivalents): | 1.485.156 | -401.722 |
| Increase (decrease) in deposits from credit institutions and central banks | 988.643 | -3.035 |
| Increase (decrease) in deposits (other than credit institutions) | 396.060 | 316.070 |
| Increase (decrease) in debt certificates (including bonds) | -104.654 | 607.009 |
| Increase (decrease) in financial liabilities held for trading | 208.369 | -436.987 |
| Increase (decrease) in financial liabilities designated at fair value through profit or loss | -81.316 | -165.259 |
| Increase (decrease) in liability-derivatives, hedge accounting | -483.723 | -287.888 |
| Increase (decrease) in other financial liabilities | 539.367 | -437.599 |
| Increase (decrease) in other liabilities (definition balance sheet) | 22.410 | 5.966 |
| | 668.662 | -121.296 |
| **Income taxes (paid) refunded** | -6.959 | -2.776 |
| **Net cash flow from operating activities** | 661.703 | -124.072 |

In the 2018 figures, the amount of - 2,237 (000) EUR included under 'Decrease (increase) in balances with central banks' has been moved to operating liabilities under ‘Increase (decrease) in deposits from credit institutions and central banks' as it represents liabilities here. (and no assets) related to the European Central Bank.

| INVESTING ACTIVITIES | 2019.12 in '000 EUR | 2018.12 in '000 EUR |
|---|---|---|
| (Cash payments to acquire tangible assets) | -2.119 | -1.377 |
| Cash receipts from the sale of tangible assets | | |
| (Cash payments to acquire intangible assets) | -6.351 | -5.510 |
| **Net cash flow from investing activities** | **-8.470** | **-6.887** |

| FINANCING ACTIVITIES | 2019.12 in '000 EUR | 2018.12 in '000 EUR |
|---|---|---|
| (Dividends paid) | | -50.000 |
| Cash proceeds from the issuance of subordinated liabilities | | |
| (Cash repayments of subordinated liabilities) | -8.362 | -12.452 |
| Cash proceeds from issuing shares or other equity instruments | | |
| **Net cash flow from financing activities** | **-8.362** | **-62.452** |
| Effect of exchange rate changes on cash and cash equivalents | | |

| | 2019.12 in '000 EUR | 2018.12 in '000 EUR |
|---|---|---|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 644.871 | -193.410 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 403.854 | 597.263 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 1.048.725 | 403.853 |
| Components of cash and cash equivalents: | | |
| On hand (cash) | 70.595 | 68.170 |
| Cash and balances with central banks | 937.036 | 329.210 |
| Financial assets at amortised cost | 41.094 | 6.473 |
| Financial assets at fair value through other comprehensive income | | |
| **Total cash and cash equivalents at end of the period** | **1.048.725** | **403.853** |
| *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 | 2.000.012 | 2.096.150 |
| Dividend income received | 900 | |
| Interest expense paid | 1.633.158 | 1.812.763 |

Cash and cash equivalents increased by 644.9 million EUR in 2019, mainly due to an increase in cash and balances with central banks (+607.8 million EUR) and an increase in financial assets at amortised cost (nostro accounts) of 34.6 million EUR. It should be noted that the balance, especially on the accounts with central banks, is very volatile and can be subject to large fluctuations depending on the day-to-day management of the bank's treasury and liquidity.

The operating activities had a positive impact on the net cash and cash equivalents of 661.7 million EUR. The cash flows from operating profits decreased by 67.2 million EUR.
In addition, cash flows resulting from the asset and liability changes (working capital) reflected a net increase of 735.9 million EUR.

- The company asset increased with 749.3 million EUR, leading to a decrease in cashflows. This increase is mainly due to the increase in financial assets at amortised cost (+ 1,368.6 million EUR) which was mainly driven by the exceptional increase in credit production, partly offset by a decrease in financial assets at fair value through other comprehensive income (OCI) (-588.4 million EUR) the main cause being the sale of bonds for an amount 460 million EUR.
- Company liabilities increase with 1,485.2 million EUR which led to an increase in cashflows mainly due to:
  - Increase in deposits from credit institutions and central banks:988.6 million EUR of which 500 million EUR related to repo/reverse repo and 488 million EUR related to the short and long-term refinancing operations with the European Central Bank

- Increase in deposits other than credit institutions and central banks:396.1 million EUR
- Decrease in debt security-based debts, related to the issue of covered bonds -104.6 million EUR
- Increase in financial liabilities held for trading: 208.4 million EUR related to the intermediation activity of derivatives, or derivatives intended as an economical hedge that do not meet IFRS hedging conditions.
- Decrease as a result of hedging transactions (both on asset and liabilities elements): -483.7 million EUR
- Increase in other financial liabilities: 539.4 million EUR, including an increase of 605.8 million EUR in regulated savings accounts, offset with other financial liabilities.

Investments resulted in a further decrease of cash and cash equivalents of 8.5 million EUR, mainly situated in the increase in intangible assets (6.3 million EUR) as a result of the various IT-projects within the bank.

The financing activities resulted in a decrease of cash and cash equivalents of -8.4 million EUR, due to the repayment of subordinated loans.

# Notes to the Consolidated Financial Statements

# 1 General

At 31 December 2019, 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 2019 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 171,000 employees in 61 countries. Worldwide, AXA is the number 1 insurance brand and AXA Bank Belgium is a strong financial player in Belgium, which will be rewarded in 2019 and for the 4th year in a row with several Bank Awards, this time for best bank and best branch network .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.

### 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.

### 2.2.2.3 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.

### 2.2.2.4 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

### 2.2.2.5 Impairment

#### General principe

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) ('stage 1'); or
- full lifetime expected credit losses (expected credit losses arising from all possible default events over the life of the financial instrument) ('stage 2').

'Stage 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 ('stage 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' ('stage 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.

Stage 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 stage 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 LGD 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).

Stage 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[1]. 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

[1] The definition of default will be further adapted and implemented in 2020 in accordance with the requirements of these guidelines

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.

#### 2.2.2.6 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.

#### 2.2.2.7 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.

#### 2.2.2.8 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.

#### 2.2.2.9 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 2019 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

The accounting policies as applied by AXA Bank Belgium in the Consolidated Financial Statements 2019 are unchanged compared to last year.

Because of the significant impact on the accounting policies of last year, we would like to repeat here that AXA Bank Belgium applies IFRS 9 - Financial instruments from 1 January 2018.

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 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.

## 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 2019**

- 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).

- Change of IFRS 9 standard – *Prepayment Features with Negative Compensation.*
  This change allows that some financial assets - with prepayment features that may result in reasonable negative compensation for the early termination of the contract – to be reported under amortised cost or at fair value through other comprehensive income, instead of at fair value through profit or loss. AXA Bank Belgium however does not currently hold any such financial assets

- Change of IAS28 standard – *Long-term interests in Associates and Joint Ventures*
  This clarifies that entities accounting for long-term interests in an associate or joint venture—to which the equity method is not applied—should do so using IFRS 9 before accounting for any losses or impairment losses applying IAS 28.
  Given the immateriality, AXA Bank Belgium does not currently apply IAS28 to its associated companies. Any valuation results are included in other comprehensive income (OCI)

- Change of IAS19 standard – Pension Plan Amendment, Curtailment or Settlement
  Clarifies how companies should determine the pension cost when a change – amendment, curtailment or settlement – occurs to a defined benefit plan. This will be taken into account if such changes take place.

- *Annual Improvements to IFRS Standards 2015–2017 Cycle*: small amendments to FRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS12 Income Taxes and IAS23 Borrowing Costs which, however, do not have an immediate impact on or fall outside the scope of application of AXA Bank Belgium

- *IFRIC23 Uncertainty over Income Tax Treatments* stipulates how to reflect the effects of uncertainty for income taxes when it is unclear how tax law applies to a transaction or circumstance, or if it is unclear whether a taxation authority will accept an entity's tax treatment. However, AXA Bank Belgium already uses the assumptions and methods described in this interpretation.

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

- *Amendments to References to the Conceptual Framework in IFRS Standards.* Standards, accompanying documentation or other documents containing references to the framework for the preparation and presentation of financial statements have been adapted to the 2018 version of this framework

- *Definition of Material:* Changes were mainly made to IAS1 and IAS8 and subsequent adjustments to other standards to improve understanding of the definition of materiality. These clarifications will undoubtedly help in future materiality assessments, but currently we see no immediate impact at AXA Bank Belgium

- *Definition of a Business:* Clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

- New IRS 17 standard – *Insurance Contracts*, published on 18 May 2017 and applicable to the IASB from 1 January 2022. This standard establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of the standard.

  Given that the bank does not conduct its own insurance activities and the nature of the other changes, the impact for AXA Bank Belgium is expected to be minimal

- *Amendment to the IFRS 9, IAS39 and IFRS7 standards* – Reference interest rates reform (phase 1) aims to address the uncertainties created by the global implementation of these new reference interest rates that are still being implemented today. This reform takes place at different speeds depending on the competent jurisdictions and may therefore lead to uncertainties regarding the use of these future reference interest rates and their impact on financial reporting. The IASB has distinguished between:
  - Any problems relating to the period preceding the replacement of these reference interest rates (phase 1)
  - Any problems relating to the replacement itself of these reference interest rates (phase 2)

  While the IASB is currently in the process of consultation around phase 2, given the urgency, it has given priority to phase 1. Phase 1 only takes care of the requirements related to hedge accounting concerning the analysis of future expectations:
  a. The requirement with regard to 'highly likely' cash flow hedging
  b. Expectation concerning the effectiveness of hedging, both prospective and retrospective for IAS39
  c. Separate identifiable risk components

  Phase 1 provides for mandatory specific temporary exemptions for the conditions specified above if one were to encounter uncertainties due to the reference interest rate reform, where in particular one may temporarily assume that the reference interest rate changes have no impact on these requirements.

  Subject to these specific changes, the other requirements related to hedge accounting remain unchanged.

  For its hedging transactions, AXA Bank Belgium falls back on derivatives referring to EURIBOR and EONIA reference interest rates.
  Since the FSMA has confirmed its approval on 02 July 2019 that the adapted so-called EURIBOR hybrid methodology complies with the new directives that have been adopted since 01 January 2020 on the new reference interest rates, this reference interest rate will remain in place and therefore does not cause any uncertainties.

  On the other hand, since 02 October 2019 the EONIA reference rate has been a derivative of the new Ester reference rate plus a fixed margin of 8.5 basis points. However, the use of this fixed margin also currently brings to an end any uncertainties with regard to the analysis of future expectations. Consequently, as of 31 December 2019 AXA Bank Belgium does not use the temporary exemptions provided for in phase 1.

**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. For example, Standard IFRS 17 – *Insurance Contracts* has yet to be accepted.

# 4 Risk Management

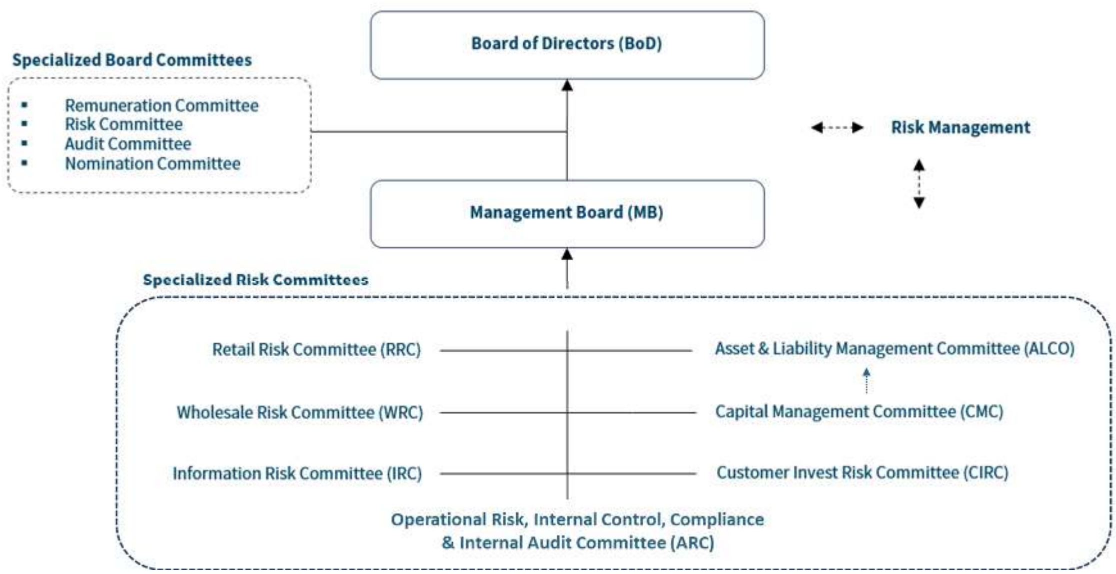
## 4.1 General

In 2019, AXA Bank Belgium has continued to build towards coherent and prudent risk management by applying its risk management framework. The bank has broadly implemented robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring its risks. The risk management framework is built around 5 components:

- Risk governance structure
- Risk assessment process, consisting of risk identification, risk measurement, risk mitigation and risk reporting
- Review and validation
- Stress testing framework
- Risk data, aggregation and IT systems

Risk governance structure

An effective risk governance structure requires the correct understanding and awareness of risks at all levels of the organization, facilitated by an efficient monitoring, reporting and communication structure. ABB's risk management governance and organization are illustrated below.




Risk assessment process and risk appetite framework

ABB has put in place a yearly risk assessment process. This exercise is performed by the Risk Management department and consists of risk identification, risk measurement, risk mitigation & limits and risk reporting. The aim of this process is to identify risks, assess their materiality, provide an overview of all mitigating actions and risk reporting.
The risk assessment process is closely linked with the risk appetite framework of the bank. 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' (risk reporting). 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 quarterly to the Management Board, the Group and the Board of Directors. These risks are more frequently 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. On top of that stress tests are applied to the strategy plan to test the robustness of the plan.

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.

Review and validation

Review and validation are an essential part of the risk management framework. On a yearly basis, ABB performs a global assessment which ensures that management takes a moment to assess the current status of ABB's risk department and sets out objectives for the upcoming year. By doing so, it provides management with a better feeling on the overall strengths and weaknesses on each identified risk dimension. Furthermore, model validation is an important component when measuring risk and performing stress testing exercises. A strong governance in model validation supports the analyses and computations done by the individual risk departments.

Stress testing framework

Stress testing is an analysis conducted to determine whether the bank has enough capital and/or liquidity to withstand the impact of adverse developments, such as the impact under unfavourable economic scenarios. These tests are meant to detect weak spots in the bank at an early stage, so that preventive actions can be taken by the bank itself. It plays an important role in:

- Providing forward-looking assessments of risk;
- Overcoming limitations of models and/or historical data;
- Feeding into capital and liquidity planning procedures;
- Informing the setting of a banks' risk tolerance/appetite;
- Facilitating the development of contingency plans.

The results of the various stress testing exercises are also used by the supervisor in their SREP assessment.

The stress testing framework aims at providing the methodology and process for the performance of stress testing by ABB as part of the risk management process, taking into account the applicable regulation. The scope of the programme extends to all entities managed or controlled by ABB. When performing stress tests all material risk domains of all entities in the scope of the programme are taken into account.

Risk data, aggregation and IT systems

Management, control and monitoring of risk data, aggregation and IT systems further improved in 2019 with a further continuation planned in 2020. ABB applies a data management framework focusing on four main areas (data driven commercial actions, trusted operational data insights, regulatory and financial reporting and data privacy and protection). The principles of both the BCBS 239 directive and the circular NBB_2017_27 have been integrated in the overall data principles of the bank. This guarantees that overall data management in the bank applies best practices that assures that the data is accurate and trusted.

In the following sections, we will focus more on the important risk categories to which AXA Bank Belgium was exposed to in 2019, 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 2019 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[2] or deterioration in credit quality[3] 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 credit risks comprise mainly credit risk from derivatives and bonds .

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.

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. The procedures and controls for the write-off on non-performing loans are incorporated in a write-off policy in accordance with the EBA guidelines.

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.

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

**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 annual 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 mix of inscription and 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. 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 the intermediation activity has decreased significantly in 2019 because of the announced sale by AXA Group of its subsidiary AXA Life Europe. Although the closing has not taken place yet in 2019, a large part of the trades with AXA Life Europe were already unwound in Q4 2019. The final closing of the sale is planned for Q1 2020.

The second area where credit risk is incurred is the investment portfolio under management of the ALM department. Lastly, AXA Bank Belgium is exposed to credit risk through its repo activity, performed by the treasury department.

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:

- 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.
- 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.
- 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. All counterparties need to be approved by AXA Group.

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-quality government/ covered bonds (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 limited number of cases which divert from the above principles: two collateral agreements have a daily exposure monitoring but only weekly exchange of collateral.

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 monthly basis to discuss any issues around the collateralisation process and decide on an action plan. The Wholesale Risk Committee is informed on a monthly basis 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).

### 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 default of this loan portfolio, the risk profile of the total credit portfolio is low.

The mortgage portfolio has once more risen strongly in 2019 (+8.6%) thanks to the high new production of mortgages which proofs to be of good quality. After the years 2015 and 2016 with a high volume of refinancing, 2017 and 2018 were characterised by a more moderate level of refinancing and in 2019 this moderate level is maintained.

For the consumer loan portfolio, we noticed a slight increase in 2019 (+3.5%) .The production did compensate for the natural erosion of the portfolio. The portfolio level in 2019 is at the same level as 2017.

As from 2016, the professional loans portfolio of AXA Bank Belgium is increasing. In 2017, 2018 and 2019 the portfolio increased significantly, for 2019 the evolution was 13%. 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.

As a result in 2019 the new production was again characterized by a high quality and the entire credit portfolio showed an improved credit quality. An overall decrease of the observed default rates[4] (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 2019 evolution of the 12M default rate is described underneath:

- The 12M default rate[5] for mortgage loans slightly decreased from 0.77% in December 2018 to 0.63% observed in December 2019. 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 decreased from 1.80% observed in December 2018 to 1.59% in December 2019. This 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.

- For consumer loans a decrease in the 12M default rate is observed (from 1.32% in December 2018 to 1.21% in December 2019). This is due to a better risk selection and an evolution of the product mix to loans with a particular purpose

The credit losses amounted to a total of 1.6 million EUR in 2019, compared to 7 million EUR in 2018. The incurred credit losses remain relatively low due to 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.

Staging is one of the important differences between IFRS 9 and IAS 39. Underneath the 3 IFRS 9 stages are discussed:
See chapter 2.2.2.5 *Impairment* for the definitions of Stage 1, Stage 2 and Stage 3.

*Stage 1*

For IFRS 9 performing loans are divided into a segment performing and underperforming loans. Loans that are in this performing segment are categorised as Stage 1. For Stage 1, the impairments are recognized for a 12-month expected credit loss. If none of the qualitative or quantitative triggers as described in Stage 2 and 3 are triggered, a loan is categorised in Stage 1.

*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[6] database
  - Forbearance measures on credit
  - Current PD rating in bucket 9
- Quantitative triggers:
  - Current PIT[7] 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.

[4] *'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).
[5] Compared to 2018 the definition of default was revised. This concept includes forbearance and intra-month defaults. Figures for reporting 2018 have been recalculated based on the new definition.
[6] Database at the National Bank of Belgium listing all credits a natural person has across all financial institutions and companies that grant credit facilities.
[7] Point-in-time

*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'.

An important remark is that the definition of default will change in 2020, which will have an impact on the figures, as some credits that are currently in Stage 3 will end up in Stage 2 and vice versa. The main changes in this default concept, are the following: :

- Counting of the number of days past due, which will only start when an absolute and relative materiality threshold has been breached (respectively 100 EUR and 1% of the balance amount). Flagging of defaults due to 90 days past due will therefore not happen at the same moment as before.
- The application of a 3 month probation period for all defaulted loans, which means the credits remain in default for 3 months after curing.

Overall, the impact of the new definition of default will be limited and will not have a material impact on the non-performing loan ratio.

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.

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

In the table underneath the impairments of AXA Bank Belgium are split by internal rating. The largest part of impairments in Stage 2 had an internal rating between 7 and 9 at the end of 2019. This corresponds to impairments linked with credits having experienced a significant increase in credit risk.

*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 | 1.685,29 | 289,81 | 0,00 |
| Internal rating 5 to 6 | 1.304,02 | 995,39 | 0,00 |
| Internal rating 7 to 9 | 2.214,98 | 13.200,07 | 0,00 |
| Internal rating 10 | 0,00 | 0,00 | 55.224,69 |

Axa Bank Belgium's credit activity is mainly secured by residential real estate and this is reflected in the table below. There it is shown that the majority of non-performing loans at the end of 2019 are secured between 50% and 100% of the total credit outstanding.

*Coverage of Credit Impaired Financial Assets*

| Collateral | 000 EUR / % |
|---|---|
| Credit-impaired financial assets | 289.371 |
| Up to 50% covered by collateral | 18% |
| From 50 to 100% covered by collateral | 82% |

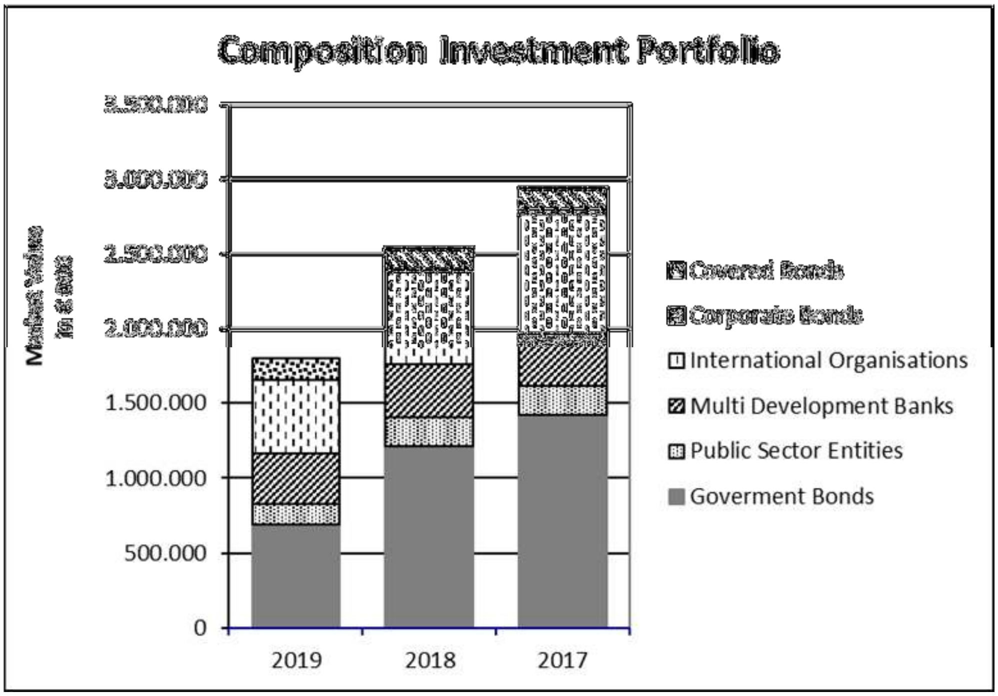
*4.2.2.2* Non-retail Credit Risk

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

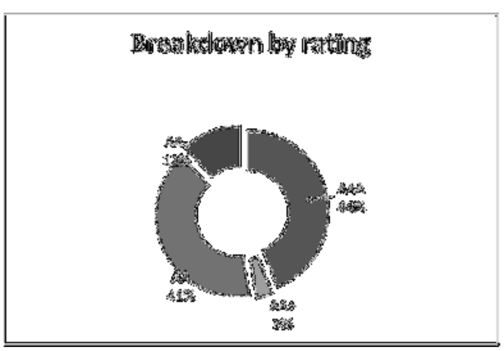
The market value of the investment portfolio dropped further, from 2.5 billion EUR at the end of 2018 to 1.8 billion EUR in December 2019 mainly due to the sale of the Italian government bonds and the maturity of other government bonds.

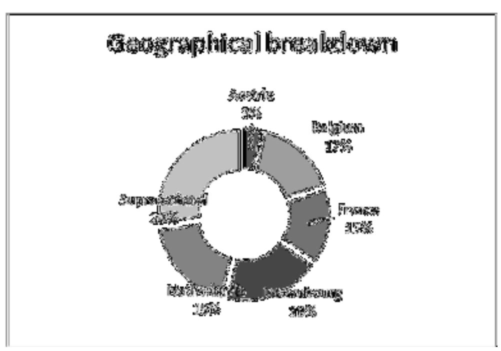
The investment portfolio of AXA Bank Belgium mainly consists of high quality government bonds (46%) and supra-national bonds (46%). The next graph illustrates the exposures in AXA Bank Belgium's investment portfolio.




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 2019)

AXA Bank Belgium no longer has an exposure on PIIGS countries as it sold its Italian government bonds in Q4 2019. The table below shows the book value (in '000') of the exposure to PIIGS countries on 31 December 2019.

| Country | Instrument type | Book Value | | |
|---|---|---|---|---|
| | | 31-12-19 | 31-12-18 | % Change |
| Italy | Sovereign bonds | 0 | 339.170 | -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. In August 2018, AXA Group announced the sale of its subsidiary AXA Life Europe, which is AXA Bank Belgium largest intermediation client. Although the closing of the deal is only planned for Q1 2020, a large part of the trades with AXA Life Europe were already unwound in Q4 2019.

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 490 million EUR end 2019, 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.

Asides the intermediation activity, AXA Bank Belgium has traded repurchase agreements in which its own-issued covered bond is exchanged for cash or an LCR-eligible asset. As own-issued covered bonds are not included in the liquidity buffer of the Liquidity Coverage Ratio, this type of repurchase agreements has a positive impact on the LCR (see 4.5 Liquidity Risk). To measure the counterparty credit risk on repos, a similar method as for derivatives is used: market shocks are applied on all securities posted and received. These shocks reflect the possible future fluctuations of the securities in case of counterparty default. Furthermore, an additional haircut is applied in case wrong-way risk is incurred.

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 two rating agencies (Fitch 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*

The regulatory exposure of the repo activity is calculated in the following manner:

- All transactions are grouped per netting set. The collateral received under the netting set is deducted from the exposure.
- Supervisory volatility adjustments are applied to non-cash securities received/posted under the repo transaction. These haircuts reflect the possible negative evolution of the securities exchanged

On 31 December 2019, the regulatory exposure of the repo activity amounted to 95 million EUR:

- Of which 44 million EUR is caused by a difference between exposure and collateral received
- Of which 51 million EUR is the result of the supervisory volatility adjustments applied to securities posted and received.

***(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 clearing broker HSBC. All trades with clearing broker Credit Suisse International were transferred to clearing broker HSBC in the first part of 2019 as part of the Brexit preparations.

.

The aggregated results as of 31 December 2019 are displayed step by step below.

a) The sum of all positive market values amounts to 2.77 billion EUR. These positive market values amounts are neutralised by negative market values (3.52 billion EUR of negative market values). AXA Bank Belgium emphasises here that this neutralisation goes beyond purely accounting netting of 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 2.05 billion EUR collateral and received 1.07 billion EUR collateral. This leads to a net replacement cost of 356 million EUR.

b) The sum of the risk factors amounts to 495 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 850 million EUR in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to 356 million EUR. It is important to note that 341 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 2019, this exposure represents 20.9%. 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 2019 that would result from reasonably possible changes in these parameters from the actual assumptions. The analysis concerns ABB's Retail portfolio only.

The two tables underneath show the impact of the house price index, unemployment rate and GDP growth rate on the expected credit loss (ECL) of ABB.

Of these 3 key indicators, the impact of the house price index is the largest on ABB's ECL. This is due to the fact that ABB's portfolio mainly consists of mortgage loans which are covered by residential real estate.

As shown in the second table, ECL is less sensitive towards GDP growth and unemployment.

| **Retail portfolio (in '000 EUR)** | | **Unemployment** | | |
|---|---|---|---|---|
| | | [-1%] | No change | [+1%] |
| **House price index** | [-3%] | 7.152 | 7.261 | 7.360 |
| | No change | -101 | | 93 |
| | [+3%] | -7.293 | -7.199 | -7.113 |

| **Retail portfolio (in '000 EUR)** | | **Unemployment** | | |
|---|---|---|---|---|
| | | [-1%] | No change | [+1%] |
| **GDP growth rate** | [-1%] | 84 | 186 | 281 |
| | No change | -101 | | 93 |
| | [+1%] | -281 | -183 | -92 |

## 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 – for the customer rather inexpensive 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.

- A dedicated functional risk appetite statement sets a limit on the net interest income sensitivity of AXA Bank Belgium's banking book.

- On top of the above limit, operational limits are set on the sensitivity of the economic value of the banking book and on all other subcomponents of interest rate risk (basis, option and spread risks).

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 included in the monthly ALCO book and quarterly risk report. These reports include 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. Since December 2019, AXA Bank Belgium's interest rate risk is followed up by the regulator using the EBA Supervisory Outlier Tests (SOT).
- 99.9% Monte-Carlo Value at Risk (VAR) analysis (in quarterly risk report)
- 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 the 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 and swaptions.
- 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, of which 75% have a fixed interest rate and 25% floating interest rate. The interests of the variable rate mortgages are linked to the evolution of the OLO[8] rates. The Belgian law imposes a cap on the variable interest rates of these loans. Given the historically 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) | 31-12-19 | 31-12-18 |
|---|---|---|
| Bank SI (absolute) | -32.379,00 | -30.687,00 |
| Bank SI (relative) | -0,03 | -0,03 |
| Bank NII (+ 10 bps) | 706,00 | 1.381,00 |
| Bank NII (- 10 bps) | -6.585,00 | -6.210,00 |

[8] 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 bank 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 2019 is equal to 0.46 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.

Moreover, as a result of the downsizing of AXA Bank Belgium's intermediation business, market risk in the trading book is expected to disappear (almost) fully in 2020.

## 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. As a result, AXA had no requirement for FX risk in 2019 as its net FX position never exceeded 2% of its 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 (ILS) and Short-Term Liquidity Framework (STeLF) indicators
2. Regulatory indicators : LCR, NSFR and ALMM

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 | 31-12-19 | Limit | Buffer |
|---|---|---|---|
| Internal Liquidity Stress Indicator | 2.053.683 | 500.000 | 1.553.683 |

**Short Term Liquidity Framework (STeLF)**

To complement the regulatory liquidity framework and the Internal Liquidity Stress calculations, AXA Bank Belgium has created a liquidity indicator computed on a daily basis which assesses the liquidity position over the next 5 business days. This indicator is called the Short-Term Liquidity Framework (STeLF).

It measures the liquidity buffer defined as the sum of unencumbered ECB eligible securities and EUR cash balances and is calculated for two scenarios. In the business-as-usual scenario, the STeLF liquidity buffer takes inflows and outflows into account for the next five business days. While in the stress scenario only the outflows are taken into account along with an extra stress outflow on top of that.

**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.
- ALMM (Additional Liquidity Monitoring Metrics) is reported to the regulator since April 2016.

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 2019 (100% limit) thanks to a comfortable stock of liquid assets and a solid financing structure.

| Ratio | 31-12-19 | 31-12-18 | Limit |
|---|---|---|---|
| LCR | 198% | 228% | 100% |
| NSFR | 133% | 141% | 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 2019) and covered bonds (4.5 billion EUR on 31 December 2019). More detail can be found in the table below.

Maturity Analysis

| 2019 (in '000 EUR) | < 3 months | < 12 months | > 12 months | Total |
|---|---|---|---|---|
| Central Bank financing | 400.000 | 150.000 | 541.000 | 1.091.000 |
| Loans from financial customers | 302.974 | 500.225 | 100 | 803.298 |
| Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP) | 145.097 | 87 | 100 | 145.284 |
| Repurchase Agreements | 157.876 | 500.138 | - | 658.014 |
| Secured loans | - | - | - | - |
| Retail funding | 16.897.057 | 161.552 | 1.090.601 | 18.149.210 |
| Non maturing retail funding (savings and current accounts) | 16.757.984 | - | - | 16.757.984 |
| Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates) | 139.073 | 161.552 | 1.090.601 | 1.391.226 |
| AXA Group Financing | 420.104 | 113.563 | 407.728 | 941.396 |
| Unsecured financing | 420.104 | - | - | 420.104 |
| EMTN | - | 113.563 | 407.728 | 521.292 |
| Other counterparties | 274.228 | 753.267 | 3.756.790 | 4.784.284 |
| Unsecured funding from non-financial customers | 274.228 | - | 130 | 274.358 |
| Covered bonds | - | 753.267 | 3.756.660 | 4.509.926 |
| **Total** | **18.294.362** | **1.678.607** | **5.796.219** | **25.769.188** |

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 6.25 billion EUR in 2019of which 4.5 billion EUR remains on a consolidated level: 4.5 billion EUR are placed in the market, and 1.75 billion EUR of these covered bonds are subscribed by AXA Banque France. The 1.75 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[9] are considered by a qualitative indicator while major damages are followed by the Group.

### 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 an Advanced Measurement Approach (AMA). The economic capital calculation is an annual process based on risk assessments that identify and quantify the relevant and material operational risks faced by AXA Bank Belgium in the coming year.

Just as in past years, on the focus for 2019 remains detecting and preventing fraud and cyber risks (hacking, phishing and cyber/virus-attacks), regulatory risks (related to MIFID, AML, GDPR, ...) and people risks (key employee exposure, loss of staff,..)

The team of Operational Risk works continuously on '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.). In 2019, 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.

2020 will be marked by the deployment of a new AXA Group tool for Operational Risk Management, combining all activities of the department and leveraging on the reporting and integrated view capabilities within the application.

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.: insurance contract establishments for fire incidents, cyber incidents and agent fraud).
- Action plans to strengthen the process and to reduce the risk to a lower/acceptable level. These action plans are defined by the business, challenged and monitored by the operational risk team and reported quarterly to Management.

AXA Bank Belgium is monitoring its operational 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 Audit, Risk and Compliance Committee (ARC) each quarter and is in line with the boundaries set in the risk appetite framework for operational risk.

The team of Internal (Financial) Control performs 2nd line monitoring of the key controls, covering 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 and continued the effort in 2019. Goal is to identify key risks for each process within the bank, to define the required control objectives and assess the controls in place or required to mitigate these risks. By 2020, all core processes of AXA Bank Belgium will have been reviewed and controls structurally documented and tested. This activity will also make use of the deployed AXA Group tool starting in 2020.

[9] 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).

## 4.7 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[10] and the scope of the risks that are covered[11].

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 2,5% in 2019.

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.

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

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.

### 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) | 31-12-19 | 31-12-18 |
|---|---|---|
| Paid up capital | 636.318 | 636.318 |
| Reserves (including retained earnings) | 413.960 | 369.512 |
| Result of the current year | 49.624 | 44.937 |
| Other reserves | 677 | 1.552 |
| Accumulated other comprehensive income | (24.580) | 2.716 |
| **ACCOUNTING COMMON EQUITY TIER 1 CAPITAL** | **1.075.999** | **1.055.035** |
| Prudential filters | 7.419 | 6.204 |
| *Value adjustment of own credit risk* | *7.807* | *6.532* |
| *Value adjustment of prudent valuation* | *(388)* | *(328)* |
| Deductions of Common Equity Tier 1 capital | (46.825) | (48.768) |
| *Regulatory adjustments accumulated other comprehensive income* | 0 | *0* |
| *Intangible assets* | *(16.700)* | *(13.258)* |
| *Deferred tax assets that rely on future profitability* | *(7.125)* | *(10.354)* |
| *Other deductions* | *(4.228)* | *(3.736)* |
| *IRB provision shortfall* | *(18.772)* | *(21.420)* |
| **USEFUL CAPITAL COMMON EQUITY TIER 1 (CET1)** | **1.036.593** | **1.012.471** |

The CET1 amounts to 1.037 million EUR in 2019 versus 1,012 million EUR in 2018.

AXA Bank Belgium is allowed to include the consolidated net profit for 2019 (49.6 million EUR) in the core Tier 1 capital. This result strengthens the equity of AXA Bank Belgium.

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) | 31-12-19 | 31-12-18 |
|---|---|---|
| CET1 | 1.036.593 | 1.012.471 |
| Additional Tier 1 capital | 90.000 | 90.000 |
| TIER 1 | 1.126.593 | 1.102.471 |
| TIER 2 | 4.609 | 8.924 |
| Subordinated debts | 1.116 | 2.671 |
| Perpetual subordinated debts | 3.493 | 6.253 |
| *Perpetuals* | *11.645* | *15.633* |
| *Perpetuals phase out* | *(8.151)* | *(9.380)* |
| **TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS** | **1.131.202** | **1.111.395** |

The total own funds evolve from 1,111 million EUR in 2018 to 1,131 million EUR in 2019.

### 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 6,324 million EUR on December 2019.

| RISK EXPOSURE AMOUNTS (in '000 EUR) | 31-12-19 | 31-12-18 |
|---|---|---|
| Risk weighted exposure amounts for credit risk | 5.434.722 | 5.441.511 |
| Risk exposure amount for market risk | 79.377 | 171.601 |
| Risk exposure amount for operational risk | 658.421 | 658.504 |
| Risk exposure amount for credit valuation adjustment | 151.355 | 443.897 |
| **TOTAL RISK EXPOSURE AMOUNTS** | **6.323.875** | **6.715.513** |

The Belgian regulator has requested[12], 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.

### 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.

| Capital Ratios | 31-12-19 | 31-12-18 |
|---|---|---|
| **Transitional definition** | | |
| Common Equity Tier 1 ratio | 16,39% | 15,08% |
| Tier 1 ratio | 17,81% | 16,42% |
| Capital ratio | 17,89% | 16,55% |
| **Fully phased-in definition** | | |
| Common Equity Tier 1 ratio | 16,39% | 15,08% |
| Tier 1 ratio | 17,81% | 16,42% |
| Capital ratio | 17,83% | 16,46% |

12 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.

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

All solvency ratios increased over the year. This is largely explained by the significant decrease in risk weighted assets in 2019, mainly due to reduction in remediation activity throughout the year and the off-loading of the clearable deal within the Cassius scope. As per 31 December 2019, AXA Bank Belgium's Tier 1 ratio stands at 17.81% (16.42% in 2018) and total capital ratio at 17.89% (16.55% in 2018).

These same ratios fully loaded, i.e. calculated as if Basel III were already in full force, amounted to 17.81% and 17.83% respectively (16.42% and 16.46% in 2018).

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 2019 to 3.98% at the end of December 2019 (3.98% in 2019) or 3.98% (4.18% in 2018) when fully loaded.

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

| Leverage ratio | 31-12-19 | 31-12-18 |
|---|---|---|
| Transitional definition | 3,98% | 4,18% |
| Fully phased-in definition | 3,98% | 4,18% |

The difference between the "transitional definition" and the "fully-loaded definition" is in the use of perpetual subordinated loans, but this has no impact on the leverage ratio

# 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 to consider early repayments (based on an interest-driven model with a minimum of 4% per year for mortgage loans, 4% per year for investment credits, 10% per year for instalment loans);
- the cash flows also take into account caps and floors embedded in floating mortgage loans.
- Lastly, the (adjusted) cash flows are discounted based on the OIS curve.

## 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 or 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 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.

**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% of the growth rate would lead to an increase (decrease) in fair value by 13,5 million EUR (2018: 16.2 million EUR).

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.

Overview of Assets and Liabilities Measured at Fair Value

| Assets / Liabilities 2019.12 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 (1) |
|---|---|---|---|---|
| Trading assets | 744.435 | | 716.233 | 28.202 |
| 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 | 1.714.298 | 1.713.280 | 969 | 49 |
| Assets derivatives - hedge accounting | 8.224 | | 8.224 | |
| Financial liabilities held for trading | 444.968 | | 444.260 | 708 |
| Financial liabilities designated at fair value through profit or loss | 1.129.931 | | 664.058 | 465.873 |
| Liablitities derivatives - hedge accounting | 58.394 | | 58.394 | |

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 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 (1) |
|---|---|---|---|---|
| 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.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: | | | | | |
|---|---|---|---|---|---|---|---|
| 31.12.2019 | RW Level 3 OPENING BALANCE | W&V | other comprehensive income | (b) Purchases, Sales and Settlements | (c) Net transfer in and out of Level 3 | (d) Reclassification | RW Level 3 CLOSING BALANCE |
| Financial assets at fair value through other comprehensive income | 12.113 | 0 | 0 | 0 | -17 | -12.047 | 49 |
| Financial assets at fair value with fair value through profit and loss | 0 | 0 | 0 | 0 | 0 | | 0 |
| Financial assets held for trading | 12.888 | 18.377 | 0 | -3.062 | 0 | | 28.202 |
| Financial liabilities held for trading | -514.827 | -13.030 | -2.538 | 63.814 | 0 | | -466.581 |
| **Total level 3 financial assets / liabilities** | **-489.827** | **5.347** | **-2.538** | **60.752** | **-17** | **-12.047** | **-438.329** |

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 of foreign exchange income, interest income, impairment losses and write-downs as a final loss).

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

(c) The net transfers in and out of Level 3 consists of the following movements: transfers from Level 3 to Level 2

(d) Reclassification to Investments in subsidiaries, joint ventures and associates

| 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.4

(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 of foreign exchange income, interest income, impairment losses and write-downs as a final loss).

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

(c) There are no transfers from or to level 3

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 2019 Delta | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Purchase/Sale/repurchase | -330.126 | 0 | 0 |
| From Level 3 to Level 2 | 0 | 17 | -17 |
| Other changes | 0 | 0 | -12.047 |
| Delta compared to evolution Market Value | -262.828 | 2 | 0 |
| TOTAL | -592.954 | 19 | -12.064 |
| Table FVAL.5 | | | |

| 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.6 | | | |

## Fair value hierarchy: financial instruments at amortise

| Asset/Liability 2019.12 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 | 24.176.566 | 27.111.365 | 84.282 | | 27.027.083 |
| Debt securities | 83.641 | 84.282 | 84.282 | | |
| Loans and advances | 24.092.925 | 27.027.083 | | | 27.027.083 |
| Financial liabilities measured at amortised cost | 25.679.462 | 25.765.225 | | 4.720.630 | 21.044.595 |
| Deposits | 20.074.111 | 20.074.111 | | | 20.074.111 |
| Debt securities issued | 4.735.333 | 4.821.096 | | 4.720.630 | 100.466 |
| Other financial liabilities | 870.018 | 870.018 | | | 870.018 |

Table.FVAL.7

| 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.8

## 5.3 Day One Results

No day one results were recognised during the 2019 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 3.3 million EUR and gross DVA of 2.1 million EUR. The net impact (loss) thus came to 1.2 million EUR (before tax) and was recognised on the balance sheet. The evolution since 2018 (a loss (before taxes) of 1.1 million EUR) negatively impacts profit or loss (before taxes) in 2019 for 0.1 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 2019 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 2.2.2.5 *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 2.2.2.5 *Impairment*);
- estimation of write-offs for credit losses (see chapter 2.2.2.5 *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 | 2019.12 | 2018.12 |
|---|---|---|
| **Fee and commission income** | | |
| Securities | 37.680 | 33.247 |
| Issued | 35.840 | 31.302 |
| Transfer orders | 133 | 135 |
| Other | 1.707 | 1.811 |
| Clearing and settlement | | |
| Trust and fiduciary activities | 1.567 | 930 |
| Asset management | | |
| Custody | 1.567 | 930 |
| Other fiduciary transactions | | |
| Loan commitments | | |
| Payment services | 8.268 | 7.682 |
| Structured finance | | |
| Servicing fees from securitization activities | | |
| Other | 38.521 | 48.867 |
| TOTAL | 86.037 | 90.726 |
| **Fee and commission expenses** | | |
| Commissions to agents (acquisition costs) | 39.501 | 36.759 |
| Clearing, settlement and consignment | 637 | 632 |
| Other | 45.922 | 39.859 |
| TOTAL | 86.059 | 77.250 |

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 2019.12 in '000 EUR | Net |
|---|---|
| Debt securities | 35.311 |
| Loans and advances | 4.892 |
| Deposits | |
| Debt securities issued | |
| Other financial liabilities | |
| TOTAL | 40.203 |

Table GLNPL.1

| 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 | 5.774 |
| Loans and advances | 3.438 |
| Deposits | |
| Debt securities issued | |
| Other financial liabilities | |
| TOTAL | 9.213 |

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 2019.12 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 | -6.511 | |
| Other financial liabilities | | |
| TOTAL | -6.511 | |

Table GLFVPL.1

| 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.2

With regard to the realized result in 2019, there is also an amount of 0.09 million EUR related to the credit risk in equity under items that will not be reclassified to profit and loss and more specific in the line 'Changes in fair value of a financial liability at fair value through profit or loss that is attributable to changes in its credit risk (see also item 28 Financial Liabilities Designated at fair value through profit or loss). This concerns the realized result which may not be transferred to profit and loss.

# 10 Gains (Losses) from Hedge Accounting

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’.

| Net income from hedging activities 2019.12 in '000 EUR | *Net* |
|---|---|
| Fair value changes of the hedging instrument [including discontinuation] | -372.180 |
| Fair value changes of the hedged item attributable to the hedged risk | 376.544 |
| Ineffectiveness in profit or loss from cash flow hedges | |
| Ineffectiveness in profit or loss from hedges of net investments in foreign operations | |
| TOTAL | 4.365 |

Table GLHA.1

| Resultats nets en comptabilité de couverture 2018.12 en '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.2

# 11 Other Operating Net Income

| Other operating income and expenses in '000 EUR | 2019.12 | 2018.12 |
|---|---|---|
| <u>INCOME</u> | 17.827 | 21.602 |
| Tangible assets measured using the revaluation model | | |
| Investment property | | |
| *Rental income from investment property* | | |
| *Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used* | | |
| *Other income related to investment property* | | |
| Other | 17.827 | 21.602 |
| <u>EXPENSES</u> | 2 | 2 |
| 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* | | |
| Other | 2 | 2 |
| <u>TOTAL</u> | 17.826 | 21.600 |

Table OONI.1

# 12 Operational Lease Agreements

As a lessor, AXA Bank Belgium rents out only a part of the building of its registered office in Berchem, partly to AXA Belgium and partly to third parties.
In addition, as a lessee, AXA Bank Belgium only has operational lease contracts and a long-term lease for a small amount.
These are listed below with regard to the rental of company cars and bicycles, as well as the rental of company buildings

| Assets held under an operating lease 2019.12 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 | 1.391 | | 1.990 | | |
| > 1 year ≤ 5 year | 2.612 | | | | |
| > 5 year | 852 | | | | |
| **TOTAAL NOMINAL AMOUNT** | **4.855** | | **1.990** | | |
| **For the lessor - residual maturity** | | | | | |
| < 1 year | 1.239 | | 1.570 | | |
| > 1 year ≤ 5 year | 2.948 | | | | |
| > 5 year | 1.721 | | | | |
| **TOTAAL NOMINAL AMOUNT** | **5.908** | | **1.570** | | |

Table OLA.1

| 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.2

# 13 Employee Benefits

## 13.1 Breakdown of Employee Benefits

| Employee benefits in '000 EUR | 2019.12 | 2018.12 |
|---|---|---|
| Wages and salaries | 61.561 | 58.825 |
| Social security charges | 16.089 | 15.369 |
| Pension and similar expenses | 7.663 | 11.469 |
| Share based payments | 1.753 | 1.659 |
| Other | 5.468 | 5.606 |
| <u>TOTAL</u> | 92.534 | 92.928 |

Table PE.1

The comparative figures for 2018 have been adjusted in the sense that certain costs from the "Other" section have been allocated to the "Pension and similar expenses" and "Share-based payments" sections respectively.

This mainly concerns costs related to extra-legal pensions (group insurance) that were shifted for 10.4 million euros from 'Other' to Pension and similar expenses' and the costs related to' performance shares' ( see also item 13.3.4) that were moved to a new line "Share-based payments" for 1.0 million euros

## 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:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Discount rate | 0,75% | 1,55% | 1,45% | 1,50% | 2,30% |
| Inflation rate | 1,70% | 1,70% | 1,60% | 1,60% | 1,60% |
| Percentage of salry increase | 2,40% | 2,40% | 2,30% | 2,60% | 2,60% |

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 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 9,8 years at the end of 2019 compared to about 10.2 years at the end of 2018.
- A decrease of 0.5% in the discount rate would change the total DBO (defined benefit obligation) to +5.6% and service costs during the period of +5.2%.
- An increase of 0.5% discount rate would reduce the total DBO by -5.1% and service costs during the period by -4.8%.
- An increase of 0.5% in the inflation rate would change the total DBO by +2.3% and service costs during the period would increase by +3.4%.
- An increase of 0.5% in the inflation rate for medical costs would give rise to an increase in total DBO of +0.4% and service costs during the period would increase by +0.5%.
- An increase of 0.5% in salaries would increase the total DBO by +4.9% while service costs during the period would increase by +6.4%.

#### 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 2019.

| *(In '000 EUR)* | 12.2019 | 12.2018 |
|---|---|---|
| **Changes in the commitment** | | |
| Actuarial liability at the start of the period | 156.618 | 152.292 |
| Service cost | 5.855 | 5.388 |
| Interest on the actuarial liability | 1.896 | 1.720 |
| Employee contributions. | 351 | 313 |
| Modification, curtailment, (incl. acquisitions and disposals, etc.) | 0 | 2.888 |
| Actuarial profits and losses due to changes to experience. | -832 | 1.115 |
| Actuarial differences resulting from change in the hyp for Demographics | | |
| Actuarial differences resulting from change in the hyp for Financials | 14.568 | -902 |
| Benefits paid | -9.472 | -6.079 |
| Benefits paid directly by the employer. | -114 | -117 |
| Inclusion of DC plans | | |
| Curtailments and settlements | | |
| **Actuarial liability at the end of period (A)** | **168.869** | **156.618** |
| **Evolution of plan assets hedging** | | |
| Fair value of assets at beginning of period | | 10.428 |
| Implicit return on assets | | |
| Actual return on plan hedging assets, excluding the implicit return on assets | | |
| Employer contributions. | | |
| Employee contributions. | | |
| Incoming (outgoing) transfers (incl. acquisitions and disposals) | | -10.428 |
| Benefits paid | | |
| Effect of exchange rate changes | | |
| **Fair value of assets at end of period (B)** | **0** | **0** |
| **Changes in separate assets** | | |
| Fair value of assets at beginning of period | 109.083 | 93.891 |
| Implicit return on assets | 1.293 | 1.160 |
| Actual return on plan hedging assets, excluding the implicit return on assets | 440 | 1.242 |
| Employer contributions. | 6.526 | 6.468 |
| Employee contributions. | 351 | 313 |
| Incoming (outgoing) transfers (incl. acquisitions and disposals) | 0 | 12.204 |
| Benefits paid | -9.586 | -6.195 |
| Effect of exchange rate changes | | |
| Recording of DC plans | | |
| **Fair value of assets at end of period** | **108.106** | **109.083** |
| **Funding of liabilities** | | |
| Underfunded plans (plan by plan) | -168.869 | -156.618 |
| Overfunded plans (plan by plan) | | |
| Unfunded commitments (B) - (A) | -168.869 | -156.618 |
| Unrecognised past service cost | | |
| Cumulative impact of asset ceiling | | |
| **Liabilities recorded in the statement of financial position (excluding separate assets)** | | |
| Recognised assets | | |
| Provisions recorded | -168.869 | -156.618 |
| **Net position (excluding separate assets)** | **-168.869** | **-156.618** |
| **Net economic funding** | | |
| **(including: separate assets)** | | |
| Net position (excluding separate assets) | -168.869 | -156.618 |
| Fair value of separate assets at end of period | 108.106 | 109.083 |
| **Net economic funding (including: separate assets)** | **-60.763** | **-47.535** |

**Table PE.4**

An important element in the evolution of the actuarial debt is the decrease in the discount rate (-0.8%), which contributes to an increase in the debt of € 14.6 million.

### 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 2018 and 31 December 2019:

| *(In '000 EUR)* | 12.2019 | 12.2018 |
|---|---|---|
| Annual pension expense and other benefits | | |
| Service cost | 6.206 | 6.812 |
| Curtailments and settlements | 0 | 0 |
| Employee contributions | -351 | -313 |
| Interest on the actuarial liability | 1.896 | 1.720 |
| Implicit return on plan assets/separate assets | -1.293 | -1.160 |
| Total annual pension expense and other benefits | **6.459** | **7.058** |

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 2019 and 31 December 2019 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 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.

The change in net economic funding commitments between 1 January 2019 and 31 December 2019 reflects the changes in the provision recognised in the accounts of AXA Bank Belgium and the changes in separate assets.

| *(in '000 EUR)* | 12.2019 | 12.2018 |
|---|---|---|
| Evolution of the provision on the balance sheet | | |
| **Provision recorded in the balance sheet at beginning of the period** | **-156.618** | **-141.864** |
| Annual pension expense and other benefits | -8.102 | -7.421 |
| Employer contributions. | | |
| Employer benefits | 114 | 117 |
| Benefits paid by separate assets | 9.472 | 6.079 |
| Actuarial gain/losses recognised in other comprehensive income | -13.735 | -213 |
| Modification of regime | | -13.316 |
| **Provision recorded in the balance sheet at the end of the period** | **-168.869** | **-156.618** |
| Fair value of separate assets at end of the period | 108.106 | 109.083 |
| **Net economic funding for commitments at the end of the period** | **-60.763** | **-47.535** |

Table PE.6

### 13.2.5 Upcoming Outflows (Benefits Paid and Employer Contributions)

Estimated future benefit payments

Expected future benefits amounted to 3.9 million EUR for 2020 and 4.8million EUR for 2021. 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 2020 for pension commitments is 6.3 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 2019.

### 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.

| 2019.12 | Options (in '000 EUR) | Average Price (in '000 EUR) |
|---|---|---|
| Outstanding at 1/1 | 80,6 | |
| Allocations | 0,0 | |
| Capital increases | 0,0 | |
| Excercised | -14,9 | 14,14 |
| Options expired and cancelled | -2,0 | 11,53 |
| Other movements | 0,1 | |
| **Outstanding at 31.12** | **63,8** | **15,48** |

Table PE.7

| 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.8

The number of options in circulation and the number of options that can be exercised at 31 December 2019 are shown thereafter in accordance with the expiry date:

| Date of Grant | Excercise Price | Outstanding | Exercisable |
|---|---|---|---|
| 2010-03-19 | 15,43 € | 2.545,00 | 2.545,00 |
| 2011-03-18 | 14,73 € | 6.667,00 | 6.667,00 |
| 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 | 6.410,00 |
| 2016-06-06 | 21,52 € | 18.886,00 | 12.590,67 |

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 4,99%. 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 18.30 EUR for the traditional plan (20% discount when compared to the reference price of 22,87 EUR calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and 21.73 EUR for the leverage plan (4,99% discount when compared to the reference price) during the past financial year. The AXA Bank Belgium employees subscribed for an amount of 0.6 million EUR.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Traditional | Leveraged | Traditional | Leveraged |
| Plan maturity (in years) | 5 | 5 | 5 | 5 |
| [A] Discount to face value | 20,00% | 4,99% | 0,2 | 5,86% |
| Reference price (in '000' EUR) | 22,87 | 22,87 | 23,19 | 23,19 |
| Subscription price (in '000' EUR) | 18,3 | 21,73 | 18,56 | 21,83 |
| Interest rate on employee loan | 6,74% | 6,83% | 6,64% | 7,16% |
| 5-year risk-free rate (euro zone) | -0,64% | -0,64% | 0,23% | 0,23% |
| Dividend yield | 8,16% | 8,16% | 5,53% | 5,53% |
| Early exit rate | 2,15% | 2,15% | 1,43% | 1,43% |
| Debit interest rate | 0,15% | 0,15% | 0,00% | 0,00% |
| Retail/institutional volatility spread | N/A | 1,24% | N/A | 2,50% |
| [B] Cost of the lock-up for the employee | 19,32% | 4,98% | 19,61% | 5,83% |
| [C] Opportunity gain | N/A | 0,90% | N/A | 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 | 2019.12 | 2018.12 |
|---|---|---|
| Marketing expenses | 3.895 | 5.682 |
| Professional fees | 11.699 | 15.417 |
| IT expenses | 41.381 | 35.621 |
| Rents to pay or to receive | -1.210 | -1.541 |
| Operating leases | 1.729 | 1.519 |
| Bank taxes | 42.870 | 42.341 |
| Other | 35.431 | 37.009 |
| TOTAL | 135.795 | 136.048 |

Table GAE.1

The line ‘Bank taxes’ in the table above mainly consists of 2 types of costs.

Banking Taxes charged to AXA Bank Belgium

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 2019 banking tax amounts to 24,7 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 2019, the contributions are based on a combination of 2 guidelines:

- 26,67% in accordance with a target determined at national level (contribution to the Belgian deposit guarantee system – DGS)
- 73,33% in accordance with a target determined at the Banking Union level (contribution to the Single Resolution Fund – SRF)

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 2019 contribution (DGS & SRF) for AXA Bank Belgium amounts to 17,1 million EUR.

Furthermore, in application of the EU regulations, the SRB has decided to accept that 15% of the mandatory SRF contribution 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 2019 contributions for an amount of 0.5 million EUR.

# 15 Impairment

| 2019.12 in '000 EUR | Stage 1 | | | Stage 2 | | | Stage 3 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Overdue ≤ 30 days | Overdue > 30 days & ≤ 90 days | Overdue > 90 days > 90 days | Overdue ≤ 30 days | Overdue > 30 days & ≤ 90 days | Overdue > 90 days > 90 days | Overdue ≤ 30 days | Overdue > 30 days & ≤ 90 days | Overdue > 90 days > 90 days |
| Debt instruments | | | | | | | | | |
| *Central governments* | | | | | | | | | |
| *Credit institutions* | | | | | | | | | |
| *Non credit institutions* | | | | | | | | | |
| *Corporate* | | | | | | | | | |
| Loans & advances | 803.327 | 168 | | 256.288 | 102.444 | 214 | 33.085 | 44.590 | 89.015 |
| *Central governments* | | | | | | | | | |
| *Credit institutions* | | | | | | | | | |
| *Non credit institutions* | 15.664 | | | 8.339 | 406 | 0 | 1.170 | 1.917 | 2.539 |
| *Corporate* | 27.635 | 153 | | 19.454 | 6.253 | 6 | 2.426 | 3.886 | 7.145 |
| *Retail* | 760.028 | 15 | | 228.495 | 95.785 | 208 | 29.489 | 38.787 | 79.331 |
| *Bills & own acceptances* | | | | | | | | | |
| *Finance leases* | | | | | | | | | |
| *Securitized loans* | | | | | | | | | |
| *Consumer Credit* | 75.314 | 15 | | 18.111 | 6.478 | | 195 | 375 | 2.175 |
| *Mortgage loans* | 669.974 | 0 | | 202.898 | 87.575 | 145 | 28.271 | 36.957 | 71.029 |
| *Term loans* | 7.400 | | | 6.196 | 1.500 | | 917 | 1.427 | 4.602 |
| *Current accounts* | 7.340 | | | 1.290 | 232 | 64 | 106 | 28 | 1.525 |
| *Other* | | | | | | | | | |
| Other financial assets | | | | | | | | | |
| **TOTAL** | **803.327** | **168** | | **256.288** | **102.444** | **214** | **33.085** | **44.590** | **89.015** |

Table IMP.1

| 2018.12 in '000 EUR | *Stage 1* | | | *Stage 2* | | | *Stage 3* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Overdue ≤ 30 days* | *Overdue > 30 days & ≤ 90 days* | *Overdue > 90 days > 90 days* | *Overdue ≤ 30 days* | *Overdue > 30 days & ≤ 90 days* | *Overdue > 90 days > 90 days* | *Overdue ≤ 30 days* | *Overdue > 30 days & ≤ 90 days* | *Overdue > 90 days > 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.2

| Overview of impairment 2019.12 in '000 EUR | Additions | Reversals | Total |
|---|---|---|---|
| Impairment losses on financial assets not measured at fair value through profit or loss | 35.985 | 26.639 | 9.346 |
| Financial assets at fair value through other comprehensive income | | | |
| Financial assets at amortised cost | 35.985 | 26.639 | 9.346 |
| 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 | 35.985 | 26.639 | 9.346 |

Table IMP.3

| 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.4

Changes in gross carrying amount between the beginning and the end of annual period
2019.12
in '000 EUR

Financial assets at fair value through other comprehensive income

| Debt instruments | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 2.306.184 | | | 2.306.184 |
| 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 | -545.964 | | | -545.964 |
| Changes in interest accrual | -18.086 | | | -18.086 |
| Capital and other movements | -28.933 | | | -28.933 |
| **Closing balance** | 1.713.201 | | | 1.713.201 |

Financial assets at amortised cost

| Debt instruments | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 176.254 | | | 176.254 |
| 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 | -99.345 | | | |
| Changes in interest accrual | -5 | | | -5 |
| Capital and other movements | 6.737 | | | 6.737 |
| **Closing balance** | 83.641 | | | 83.641 |

| Consumer Loans | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 717.525 | 59.519 | 7.747 | 784.792 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | -45.319 | 45.319 | | 0 |
| From Stage 1 to Stage 3 | -1.557 | | 1.557 | 0 |
| From Stage 2 to Stage 1 | 12.764 | -12.764 | | 0 |
| From Stage 2 to Stage 3 | | -1.236 | 1.236 | 0 |
| From Stage 3 to Stage 1 | 164 | | -164 | 0 |
| From Stage 3 to Stage 2 | | 474 | -474 | 0 |
| New financial assets originated or purchased | 300.402 | 5.244 | 666 | 306.312 |
| Financial assets derecognised | -100.502 | -12.293 | -2.207 | -115.002 |
| Write offs | | | -826 | -826 |
| Changes in interest accrual | -204 | -30 | -4 | -239 |
| Capital and other movements | -147.419 | -18.224 | -1.979 | -167.622 |
| **Closing balance** | 735.854 | 66.009 | 5.552 | 807.415 |

| Mortgage loans | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 16.688.412 | 1.270.583 | 250.564 | 18.209.559 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | -469.009 | 469.009 | | 0 |
| From Stage 1 to Stage 3 | -26.800 | | 26.800 | 0 |
| From Stage 2 to Stage 1 | 482.232 | -482.232 | | 0 |
| From Stage 2 to Stage 3 | | -57.561 | 57.561 | 0 |
| From Stage 3 to Stage 1 | 5.804 | | -5.804 | 0 |
| From Stage 3 to Stage 2 | | 54.047 | -54.047 | 0 |
| New financial assets originated or purchased | 3.860.233 | 201.817 | 1.081 | 4.063.131 |
| Financial assets derecognised | -1.387.043 | -133.237 | -36.861 | -1.557.141 |
| Write offs | | | -3.455 | -3.455 |
| Changes in interest accrual | -824 | -10 | -35 | -869 |
| Capital and other movements | -748.780 | -162 | -17.524 | -766.466 |
| **Closing balance** | 18.404.224 | 1.322.254 | 218.281 | 19.944.759 |

| Term loans | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 1.962.087 | 146.246 | 47.522 | 2.155.855 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | -99.356 | 99.356 | | 0 |
| From Stage 1 to Stage 3 | -6.197 | | 6.197 | 0 |
| From Stage 2 to Stage 1 | 48.833 | -48.833 | | 0 |
| From Stage 2 to Stage 3 | | -11.740 | 11.740 | 0 |
| From Stage 3 to Stage 1 | 614 | | -614 | 0 |
| From Stage 3 to Stage 2 | | 4.512 | -4.512 | 0 |
| New financial assets originated or purchased | 445.891 | 30.852 | 1.436 | 478.179 |
| Financial assets derecognised | -82.349 | -14.428 | -5.045 | -101.822 |
| Write offs | | | -1.292 | -1.292 |
| Changes in interest accrual | -2.094 | -28 | -11 | -2.133 |
| Capital and other movements | -628.737 | -23.634 | -5.533 | -657.904 |
| **Closing balance** | 1.638.691 | 182.302 | 49.889 | 1.870.882 |

| Current accounts | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 61.774 | 9.803 | 9.239 | 80.816 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | -3.709 | 3.709 | | 0 |
| From Stage 1 to Stage 3 | -1.143 | | 1.143 | 0 |
| From Stage 2 to Stage 1 | 2.626 | -2.626 | | 0 |
| From Stage 2 to Stage 3 | | -762 | 762 | 0 |
| From Stage 3 to Stage 1 | 365 | | -365 | 0 |
| From Stage 3 to Stage 2 | | 488 | -488 | 0 |
| New financial assets originated or purchased | 11.118 | 1.318 | 481 | 12.918 |
| Financial assets derecognised | -11.840 | -1.463 | -1.584 | -14.887 |
| Write offs | | | -766 | -766 |
| Changes in interest accrual | 63 | 0 | 142 | 205 |
| Capital and other movements | 2.940 | 535 | -182 | 3.293 |
| **Closing balance** | 62.192 | 11.002 | 8.384 | 81.578 |

| Other | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 529.007 | | 2.385 | 531.392 |
| 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 | 1.443.363 | | 239 | 1.443.602 |
| Financial assets derecognised | -922.346 | | -51 | -922.397 |
| Write offs | | | -168 | -168 |
| Changes in interest accrual | | | | |
| Capital and other movements | -274.060 | | -20 | -274.080 |
| **Closing balance** | 775.964 | | 2.385 | 778.349 |

| Reverse repo | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | 960.031 | | | 960.031 |
| 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 | 691.449 | | | 691.449 |
| Financial assets derecognised | -963.437 | | | -963.437 |
| Write offs | | | | |
| Changes in interest accrual | -147 | | | |
| Capital and other movements | | | | |
| **Closing balance** | 687.896 | | | 687.896 |

Changes in loss allowances between the beginning and the end of annual period
2019.12
in '000 EUR

Financial assets at amortised cost

| Consumer Loans | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | -1.360 | -2.415 | -2.954 | -6.729 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | 254 | -2.033 | 0 | -1.779 |
| From Stage 1 to Stage 3 | 16 | | -367 | -351 |
| From Stage 2 to Stage 1 | -150 | 1.219 | | 1.069 |
| From Stage 2 to Stage 3 | 0 | 312 | -1.006 | -694 |
| From Stage 3 to Stage 1 | -2 | | 52 | 50 |
| From Stage 3 to Stage 2 | | -45 | 147 | 102 |
| New financial assets originated or purchased | -1.727 | -90 | -41 | -1.858 |
| Financial assets derecognised | 137 | 383 | 135 | 655 |
| Write offs | | | 826 | 826 |
| Change in credit risk | 2.153 | 897 | 806 | 3.856 |
| Changes due to update in the institution's methodology for estimation | -542 | -1.929 | | -2.471 |
| Autres mouvements | | | | |
| **Closing balance** | -1.222 | -3.700 | -2.402 | -7.324 |

| Mortgage loans | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | -1.888 | -6.983 | -37.528 | -46.399 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | 248 | -2.345 | | -2.097 |
| From Stage 1 to Stage 3 | 5 | | -234 | -229 |
| From Stage 2 to Stage 1 | -1.280 | 3.111 | | 1.831 |
| From Stage 2 to Stage 3 | | 1.043 | -3.755 | -2.712 |
| From Stage 3 to Stage 1 | -2 | | 182 | 180 |
| From Stage 3 to Stage 2 | 0 | -607 | 1.467 | 860 |
| New financial assets originated or purchased | -980 | -2.062 | -16 | -3.058 |
| Financial assets derecognised | 117 | 688 | 1.036 | 1.841 |
| Write offs | 0 | 0 | 3.455 | 3.455 |
| Change in credit risk | 2.167 | 1.655 | 2.009 | 5.831 |
| Changes due to update in the institution's methodology for estimation | -13 | -1.039 | | -1.052 |
| Autres mouvements | | | | |
| **Closing balance** | -1.627 | -6.539 | -33.383 | -41.549 |

| Term loans | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | -1.457 | -2.422 | -16.609 | -20.488 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | 242 | -2.355 | | -2.114 |
| From Stage 1 to Stage 3 | 19 | | -452 | -433 |
| From Stage 2 to Stage 1 | -178 | 1.995 | | 1.817 |
| From Stage 2 to Stage 3 | | 465 | -1.976 | -1.510 |
| From Stage 3 to Stage 1 | -8 | | 121 | 113 |
| From Stage 3 to Stage 2 | 0 | -273 | 832 | 558 |
| New financial assets originated or purchased | -748 | -280 | -214 | -1.242 |
| Financial assets derecognised | 65 | 109 | 482 | 655 |
| Write offs | | | 1.292 | 1.292 |
| Change in credit risk | 918 | 357 | -518 | 757 |
| Changes due to update in the institution's methodology for estimation | -150 | -865 | | -1.015 |
| Autres mouvements | | | | |
| **Closing balance** | -1.299 | -3.268 | -17.043 | -21.610 |

| Current accounts | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | -135 | -268 | -5.026 | -5.429 |
| Transferts | | | | |
| From Stage 1 to Stage 2 | 23 | -44 | | -21 |
| From Stage 1 to Stage 3 | 5 | | -975 | -970 |
| From Stage 2 to Stage 1 | -28 | 249 | | 221 |
| From Stage 2 to Stage 3 | | 88 | -639 | -551 |
| From Stage 3 to Stage 1 | -32 | | 95 | 63 |
| From Stage 3 to Stage 2 | | -54 | 105 | 51 |
| New financial assets originated or purchased | -184 | -469 | -69 | -722 |
| Financial assets derecognised | 78 | 79 | 120 | 277 |
| Write offs | | | 766 | 766 |
| Change in credit risk | 154 | 108 | 1.064 | 1.325 |
| Changes due to update in the institution's methodology for estimation | -11 | -90 | | -101 |
| Autres mouvements | | | | |
| **Closing balance** | -130 | -401 | -4.560 | -5.091 |

| Other | STAGE 1 | STAGE 2 | STAGE 3 | TOTAL |
|---|---|---|---|---|
| **Opening Balance** | | | -2.335 | -2.335 |
| 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 | | | -251 | -251 |
| Financial assets derecognised | | | 181 | 181 |
| Write offs | | | 168 | 168 |
| Change in credit risk | | | -146 | -146 |
| Changes due to update in the institution's methodology for estimation | | | | |
| Autres mouvements | | | | |
| **Closing balance** | | | -2.383 | -2.383 |

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.6

All movements go through the income statement except in principle the transitions between stage 2 and stage 3
The contractual amount outstanding on financial assets that have been written off and that is still subject to collection procedures is 23.4 million.

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***
*2019.12*
*in '000 EUR*

*Maximum exposure to credit risk - Financial instruments subject to impairment*

*Stage 1*

| | *Gross carrying amount* | *Loss allowance* | *Carrying amount* |
|---|---|---|---|
| Debt instruments | 1.796.842 | | 1.796.842 |
| Loans & advances (balance) | 22.304.821 | -4.277 | 22.300.544 |
| Reverse repo | 687.896 | | 687.896 |
| Consumer Credit | 735.854 | -1.222 | 734.632 |
| Mortgage loans | 18.404.224 | -1.627 | 18.402.597 |
| Term loans | 1.638.691 | -1.297 | 1.637.394 |
| Current accounts | 62.192 | -131 | 62.061 |
| Other | 775.964 | | 775.964 |
| Loan commitments and financial guarantee contracts | 1.090.135 | -1.124 | 1.091.259 |
| | 25.191.798 | -5.401 | 25.188.645 |

*Stage 2*

| | *Gross carrying amount* | *Loss allowance* | *Carrying amount* |
|---|---|---|---|
| Debt instruments | | | |
| Loans & advances (balance) | 1.581.567 | -13.908 | 1.567.659 |
| Reverse repo | | | |
| Consumer Credit | 66.009 | -3.700 | 62.308 |
| Mortgage loans | 1.322.254 | -6.539 | 1.315.715 |
| Term loans | 182.302 | -3.268 | 179.034 |
| Current accounts | 11.002 | -401 | 10.602 |
| Other | | | |
| Loan commitments and financial guarantee contracts | 129.348 | -577 | 129.925 |
| TOTAL | 1.710.915 | -14.485 | 1.697.584 |

*Stage 3*

| | *Gross carrying amount* | *Loss allowance* | *Carrying amount* |
|---|---|---|---|
| Debt instruments | | | |
| Loans & advances (balance) | 284.491 | -59.769 | 224.723 |
| Reverse repo | | | |
| Consumer Credit | 5.552 | -2.402 | 3.150 |
| Mortgage loans | 218.281 | -33.383 | 184.898 |
| Term loans | 49.889 | -17.042 | 32.847 |
| Current accounts | 8.384 | -4.559 | 3.825 |
| Other | 2.385 | -2.383 | 3 |
| Loan commitments and financial guarantee contracts | 516 | -63 | 580 |
| TOTAL | 285.007 | -59.832 | 225.302 |
| TOTAL | 27.187.721 | -79.718 | 27.111.531 |

*Maximum exposure to credit risk - Financial instruments not subject to impairment*

| | |
|---|---|
| Equity | 1.096 |
| Debt instruments held for trading | 1.119 |
| Derivatives | 751.540 |
| Other | 128.451 |
| TOTAL | 882.207 |

| | |
|---|---|
| Carrying amount of financial assets pledged as collateral for | 3.895.756 |
| Liabilities | 2.736.235 |
| Contingent liabilities | 1.159.521 |

Table IMP.7

*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 |
| TOTAAL | **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.8

For the rules applied regarding the accounting of impairments we refer to chapter 2.2.2.5 *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.

In 2019, there is no DBI 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’): 52.6 million EUR
- Rejected expenses: 5.5 million EUR
- Taxed reserves movements: -22.6 million EUR
- Taxed depreciations: 2.2 million EUR
- DBI deduction: none
- Deduction for risk capital: 0.2 million EUR
- Imputation of transferable fiscal losses: 25.2 million EUR

The significant movement in taxed reserves was mainly caused by the fact that a taxed reserve of 22.1 million EUR was changed into an exempt reserve at the beginning of the financial year, given the evolution in the substantiation of the estimate of this provision

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 (5.4 million EUR).

| Reconciliation of statutory tax to effective tax<br>2019.12<br>in '000 EUR | Net amount | % |
|---|---|---|
| 1. Tax expense using statutory rate | -20.593 | |
| 1.1. Net profit before taxes | 69.619 | |
| 1.2. Statutory tax rate | | 29,58% |
| 2. Tax impact of rates in other jurisdictions | -3.297 | |
| 3. Tax impact of non taxable revenues | 60 | |
| 4. Tax impact of non tax deductible expenses | -932 | |
| 5. Tax impact of utilisation of previously unrecognised tax losses | | |
| 6. Tax impact on tax benefit not previously recognised in profit or loss | | |
| 7. Tax impact from reassessment of unrecognised deferred tax assets | | |
| 8. Tax impact of change in tax rates | 5.098 | |
| 9. Tax impact from under or over provisions in prior periods | | |
| 10. Other increase (decrease) in statutory tax charge | -331 | |
| 11. Tax expense using effective rate | -19.995 | |
| 11.1. Net profit before taxes | 69.619 | |
| 11.2. Effective tax rate | | -28,72% |

Table IT.1

| Reconciliation of statutory tax to effective tax<br>2018.12<br>in '000 EUR | Netto bedrag | % |
|---|---|---|
| 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.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:

| | 31-12-19 | 31-12-19 | 31-12-19 |
|---|---|---|---|
| Analysis of deferred tax assets and liabilities | Net deferred tax assets | Net deferred tax liabilities | Net deferred taxes |
| Deferred taxes through result | 25.503 | -8.187 | 17.316 |
| Invested financial assets | 7.119 | -3.424 | 3.695 |
| Pensions and other retirement benefits | 5.386 | -500 | 4.886 |
| Employee benefits (other than Pensions) | 2.365 | | 2.365 |
| Other provisions for risk and other charges | 5.266 | | 5.266 |
| Tax losses | 5.367 | | 5.367 |
| Other assets | | | |
| Other liabilities | | -4.263 | -4.263 |
| Deferred taxes through revaluation reserve for financial assets at fair value through other comprehensive income | 23 | -4.162 | -4.139 |
| Deferred taxes through cash flow hedge revaluation reserve | | | |
| Deferred taxes through profit and losss on defined benefit plans | 9.805 | | 9.805 |
| Deferred taxes on reserves for income through Stock Option Plan | | -226 | -226 |
| Deferred taxes on reserves for fair value changes on own credit risk financial liabilities | 3.194 | -69 | 3.126 |
| Total deferred taxes | 38.525 | -12.643 | 25.882 |

Table IT.3

| | 31-12-18 | 31-12-18 | 31-12-18 |
|---|---|---|---|
| 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 (including assets backing UL and excluding investments | 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 available for sale | 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.4

| Income tax expense current and deffered in '000' EUR | 2019.12 | 2018.12 |
|---|---|---|
| Current income tax expense, net | 8.922 | 11.338 |
| Deferred tax expense, net | 11.139 | 3.578 |
| Total | 20.061 | 14.916 |

Table IT.5

***Deferred tax assets per expected date of utilization***

| 31-12-19 | *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 | 5.367 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.367 |
| Other deferred tax assets | 1.443 | 1.469 | 1.107 | 146 | 114 | 481 | 601 | 27.796 | 0 | 33.158 |
| | | | | | | | | | | |
| TOTAL DTA | **6.810** | **1.469** | **1.107** | **146** | **114** | **481** | **601** | **27.796** | **0** | **38.525** |

Table IT.6

***Deferred tax assets per expected date of utilization***

| 31-12-18 | *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.7

***Deferred tax assets as on the last use date***

| 31-12-19 | *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 | 5.367 | 5.367 |
| Other deferred tax assets | 1.443 | 1.469 | 1.107 | 146 | 114 | 481 | 601 | 0 | 27.796 | 33.158 |
| | | | | | | | | | | |
| TOTAL DTA | **1.443** | **1.469** | **1.107** | **146** | **114** | **481** | **601** | **0** | **33.163** | **38.525** |

Table IT.8

***Deferred tax assets as on the last use date***

| 31-12-18 | *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.9

***Deferred tax liabilities per expected date of utilization***

| 31-12-19 | *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 | 1.605 | 1.503 | 357 | 806 | 658 | 2 | 25 | 3.424 | 4.263 | 12.643 |
| | | | | | | | | | | |
| TOTAL DTL | 1.605 | 1.503 | 357 | 806 | 658 | 2 | 25 | 3.424 | 4.263 | 12.643 |

Table IT.10

***Deferred tax liabilities per expected date of utilization***

| 31-12-18 | *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.11

***Deferred tax liability as on the last use date***

| 31-12-19 | *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 | 1.605 | 1.503 | 357 | 806 | 658 | 2 | 25 | 3.424 | 4.263 | 12.643 |
| | | | | | | | | | | |
| TOTAL DTL | 1.605 | 1.503 | 357 | 806 | 658 | 2 | 25 | 3.424 | 4.263 | 12.643 |

Table IT.12

***Deferred tax liability as on the last use date***

| 31-12-18 | *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.13

# 17 Cash and Balances with Central Banks

| | 2019.12<br>en '000 EUR | 2018.12<br>en '000 EUR |
|---|---|---|
| Components of cash and cash equivalents | | |
| On hand (cash) | 70.595 | 68.170 |
| Cash and balances with central banks | 937.036 | 329.210 |
| Financial assets at amortised cost | 41.094 | 6.473 |
| Financial assets at fair value through other comprehensive income | | |
| TOTAL | 1.048.725 | 403.853 |

Table CBCB.1

# 18 Financial Assets Held for Trading

| Counterparty breakdown<br>Carrying value<br>in '000 EUR | 2019.12 | 2018.12 |
|---|---|---|
| Derivatives held for trading | 743.317 | 773.579 |
| Equity instruments | | |
| Quoted | | |
| Unquoted but FV determinable | | |
| Equity instruments at cost | | |
| Debt instruments issued by | 1.119 | 197 |
| *Central governments* | | |
| *Credit institutions* | 1.119 | 197 |
| *Non credit institutions* | | |
| *Corporate* | | |
| Loans & advances to | | |
| *Central governments* | | |
| *Credit institutions* | | |
| *Non credit institutions* | | |
| *Corporate* | | |
| *Retail* | | |
| Accrued income (if accounted for separately) | | |
| TOTAL | 744.436 | 773.776 |

Table FATRA.1

# 19 Financial Assets Measured at Fair Value through Profit or Loss

AXA Bank Belgium had no financial assets in 2018 and 2019 (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 201912 in '000 EUR | Fair Value 2018.12 in '000 EUR |
|---|---|---|
| Motor Finance Company | | 2.889 |
| BERAN | | 2.537 |
| Contère | | 1 |
| Payconiq | | 6.500 |
| SWIFT | 60 | 60 |
| Privatrust | 25 | 25 |
| Europay | 23 | 23 |
| VISA | 907 | 907 |
| Banking Funding Company | 2 | 2 |
| NCR Corporation | 78 | 50 |
| TOTAL | 1.095 | 12.994 |

Table FAAVS.3

Motor Finance Company, Beran, Contère and Payconiq, together with the newly created Jofico entity, will be presented separately from 2019 as related or associated companies in the balance sheet under the line 'Investments in associates, subsidiaries and joint ventures' and further explained under chapter 25 of this financial statement.

| Counterparty breakdown 2019.12 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 | | | | | | | 1.096 | |
| *Quoted* | | | | | | | 78 | |
| *Unquoted but FV determinable* | | | | | | | 969 | |
| *Equity instruments at cost* | | | | | | | 49 | |
| Debt instruments issued by | 1.713.201 | | | | | | 1.713.201 | |
| *Central governments* | 1.229.352 | | | | | | 1.229.352 | |
| *Credit institutions* | 483.849 | | | | | | 483.849 | |
| *Non credit institutions* | | | | | | | | |
| *Corporate* | | | | | | | | |
| Loans & advances to | | | | | | | | |
| *Central governments* | | | | | | | | |
| *Credit institutions* | | | | | | | | |
| *Non credit institutions* | | | | | | | | |
| *Corporate* | | | | | | | | |
| *Retail* | | | | | | | | |
| Accrued income (if accounted for separately) | | | | | | | | |
| TOTAL | 1.713.201 | | | | | | 1.714.297 | |

Table FAAVS.1

Given the political instability in the country with possible negative economic repercussions, AXA Bank Belgium decided to sell its entire position in Italian government paper in the last quarter of 2019. Of this amount 227 million € (nominal value) was included under the business model to hold financial assets to achieve an objective by both collecting contractual cash flows and selling financial assets

| 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.2

# 21 Financial Assets at Amortised Cost

Part of the bond portfolio that is held to match the estimated duration of the liabilities without stated maturity (like savings accounts) and for interest yield purposes, is included in the business model "hold to collect" and measured at amortised cost.

As noted under Chapter 20, given the political instability in the country with possible negative economic repercussions, AXA Bank Belgium decided to sell its entire position in Italian government stocks in the last quarter of 2019. Of this, 65 million € in nominal amount was included under the business model that aims to hold financial assets in order to collect contractual cash flows. This sale was in line with management of the framework of limits set by the bank on its investment policy as well as in securing the cash flows to be received. In view of the exceptional circumstances that led to this sale, AXA Bank Belgium considers this to be seen as an 'infrequent' sale and does not change the objectives described in the previous paragraph and consequently the business model 'hold to collect'.

| Counterparty breakdown 2019.12 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 | 83.641 | | | | | | 83.641 | 163.033 | |
| *Central governments* | 83.641 | | | | | | 83.641 | 163.033 | |
| *Credit institutions* | | | | | | | | | |
| *Non credit institutions* | | | | | | | | | |
| *Corporate* | | | | | | | | | |
| Loans and receivables to | 22.304.821 | -4.277 | 1.581.567 | -13.908 | 284.492 | -59.769 | 24.092.925 | 23.466.117 | -23.355 |
| *Central governments* | 48 | 0 | | | | | 48 | 94 | |
| *Credit institutions* | 780.197 | -26 | | | | | 780.171 | 545.293 | |
| *Non credit institutions* | 1.001.176 | -233 | 48.953 | -1.063 | 13.653 | -4.285 | 1.058.201 | 1.440.001 | -212 |
| *Corporate* | 1.121.552 | -883 | 117.515 | -2.020 | 29.340 | -10.040 | 1.255.463 | 1.175.841 | -2.082 |
| *Retail* | 19.401.847 | -3.135 | 1.415.099 | -10.825 | 241.499 | -45.444 | 20.999.042 | 20.304.887 | -21.061 |
| Accrued income (if accounted for separately) | | | | | | | | | |
| TOTAL | 22.388.462 | -4.277 | 1.581.567 | -13.908 | 284.492 | -59.769 | 24.176.566 | 23.629.150 | -23.355 |

Table LR.1

| 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.2

Loans and receivables with maturity > 1 year: 20.7 million EUR (2019) and 18.8 million EUR (2018).

| Loans and receivables (excluding credit institutions) 2019.12 in '000 EUR | Central governments | Non credit institutions | Corporate | Retail |
|---|---|---|---|---|
| Bills & own acceptances | | | | |
| Finance leases | | | | |
| Reverse repo | | 487.967 | | |
| Consumer Credit | | 3.560 | 6.623 | 789.908 |
| Mortgage loans | | 90.387 | 1.071 | 19.811.753 |
| Term loans | 48 | 341.382 | 1.228.209 | 277.162 |
| Current accounts | | 4.192 | 19.561 | 52.735 |
| Other | | 130.714 | | 67.484 |
| TOTAL | 48 | 1.058.201 | 1.255.463 | 20.999.041 |

Table LR.3

| 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 | | 4.076 | 17.347 | 53.963 |
| Other | | 103.611 | | 63.843 |
| TOTAL | 662 | 1.481.372 | 1.070.897 | 19.224.674 |

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 and as well as in the course of 2019 for a total of 395 million EUR. The major part of 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 (86.1 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 2019 is 7.2 million EUR.

   AXA Bank Belgium has also continued to monitor the hedging of mortgage loans in 2019, with the conclusion that no potential new overhedge is expected.

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. However, this intermediation activity is currently being phased out

After waiting for the necessary authorisations from the prudential authorities, including the Irish, this portfolio is currently being settled by stopping the derivatives contracts with other AXA entities, and transferring the derivative position with external market counterparties within LCH to a third party through an operation quite similar to a so-called 'porting' operation. In this way, these positions and associated risk exposure will disappear from the bank's balance sheet.

At the end of the year, the EUR and GBP interest rate swaps were transferred for a notional amount of 44.1 billion €. A notional amount of approximately 60 billion € remains to be settled.

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 “single-curve” measurement method.
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.

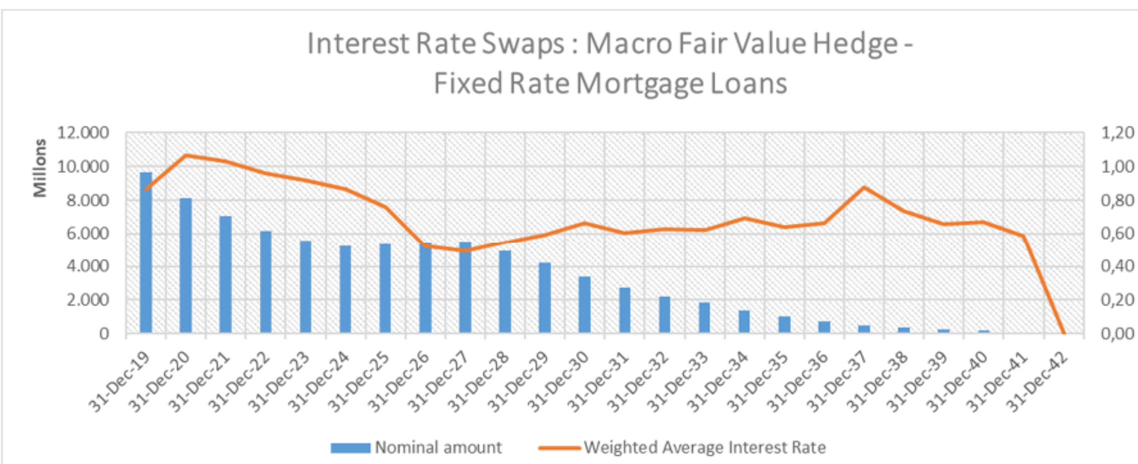
**Evolution in Nominal Amount and Average Price of the Hedging Instrument**

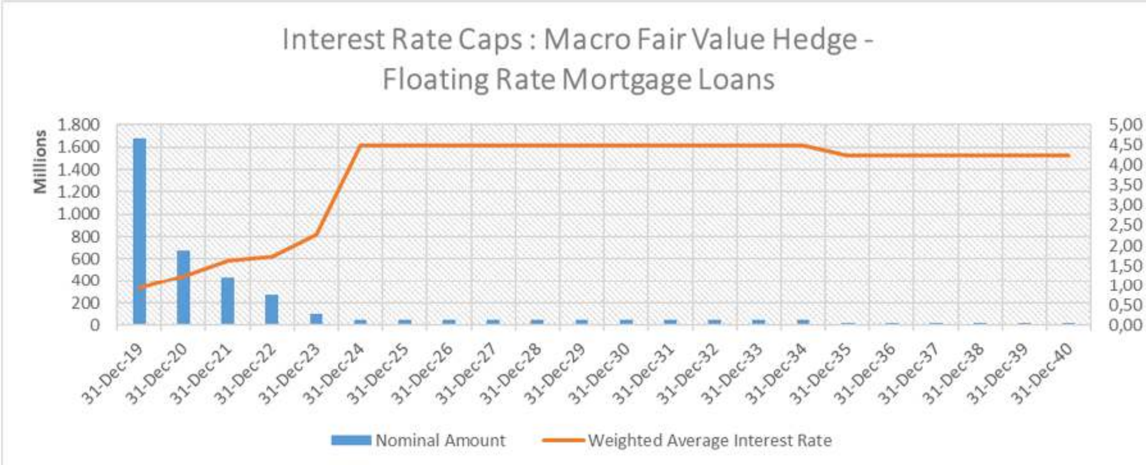
The following charts provide a picture of how the AXA Bank Belgium hedging operations can affect the amount, timing and uncertainty of the future cash flows of the hedged instruments. For the four main hedging types:

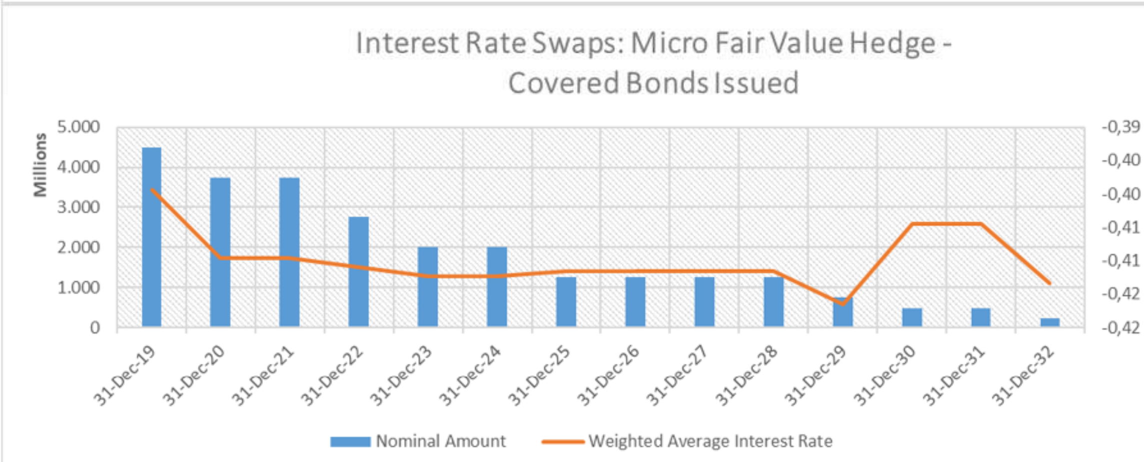
- macro hedge of a part of the home loans portfolio with fixed interest rate with interest rate swaps
- macro hedge of a part of the residential loans portfolio with variable interest rate with interest rate caps
- micro hedge of the ‘covered bonds’ issued by AXA Bank Europe SCF with interest rate swaps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

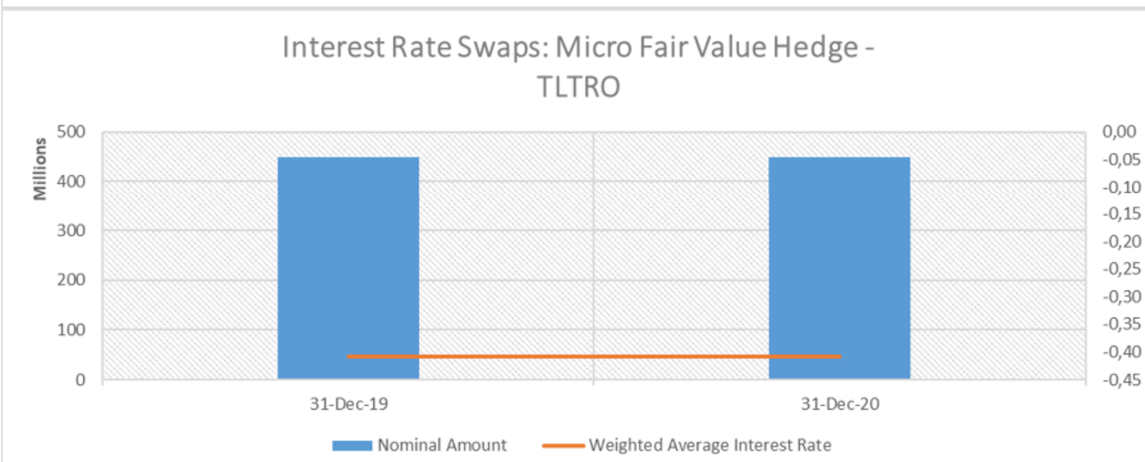
the nominal amounts of the hedging instruments from now until 2040 are shown on a time line.

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
1.800
1.600
1.400
1.200
1.000
800
600
400
200
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-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
5.000
4.000
3.000
2.000
1.000
0
-0,39
-0,40
-0,40
-0,41
-0,41
-0,42
-0,42
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
-0,45
31-Dec-19
31-Dec-20
Nominal Amount
Weighted Average Interest Rate

Derivatives – Held for Trading Purposes

| By nature | By type 2019.12 in '000 EUR | *Notional amount* | *Carrying amount Assets* | *Carrying amount Liabilities* |
|---|---|---|---|---|
| Interest rate | Option / Cap / Floor / Collar / Swaption | 15.148.615 | 200.406 | 117.576 |
| | IRS | 48.272.020 | 432.069 | 295.740 |
| | FRA | | | |
| | Forward | | | |
| | Interest future | 631.343 | | |
| | Other | | | |
| Equity instruments | Equity forward | | | |
| | Equity future | | | |
| | Equity option | | | |
| | Warrant | | | |
| | Other | 6.300.771 | 90.053 | 5.123 |
| Currency (FX) | FX forward | 2.278.164 | 20.068 | 19.858 |
| | FX future | | | |
| | Cross currency swap | 200.563 | 720 | 6.671 |
| | 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) | | | | |
| <u>TOTAL</u> | | 72.831.475 | 743.317 | 444.968 |

Table DHA.1

| By nature | By type<br>2018.12<br>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 |

Tabel DHA.2

Derivatives – Hedging Activities (Micro Hedging)

| By type of risk | By instrument 2019.12 in '000 EUR | Carrying amount Assets | Carrying amount Liabilities | Notional amount |
|---|---|---|---|---|
| *Fair value hedges* | | | | |
| Interest rate | Option / Cap / Floor / Collar / Swaption | | | |
| | IRS | 7.836 | 19.511 | 5.973.500 |
| | 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 | | 7.836 | 19.511 | 5.973.500 |
| *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 foreign operation | | | | |
| TOTAL | | 7.836 | 19.511 | 5.973.500 |

Table DHA.3

| 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 | | | |
| | 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 foreign operation | | | | |
| TOTAL | | 15.004 | 29.248 | 6.252.500 |

Table DHA.4

Derivatives - Hedging Activities (Macro Hedging)

| Hedging of interest rate portfolio 2019.12 in '000 EUR | *Carrying amount Assets* | *Carrying amount Liabilities* | *Notional amount* |
|---|---|---|---|
| Fair value hedges | 388 | 38.882 | 13.767.734 |
| Cash flow hedges | | | |
| TOTAL | 388 | 38.882 | 13.767.734 |

Table DHA.5

| 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 | | | |
| TOTAL | 2.580 | 39.252 | 13.251.683 |

Table DHA.6

Overview Derivatives by Type of Risk

| By type of risk | By instrument 2019.12 in '000 EUR | Micro-hedges | | | Macro-hedging |
|---|---|---|---|---|---|
| | | Carrying amount hedge items | Hedge adjustments on the hedged items | Remaining adjustments for discontinued micro hedges | Carrying amount hedged items in portfolio hedge of interest rate risk |
| ***Assets*** | | | | | |
| ***Financial assets measured at fair value through other comprehensive income*** | | **1.713.202** | **26.938** | **-410** | |
| Interest rate | Option / Cap / Floor / Collar / Swaption | 1.713.202 | | | |
| Equity instruments | Equity forward | | | | |
| Currency (FX) | FX forward | | | | |
| Credit | Credit default swap | | | | |
| Commodity | | | | | |
| Other | | | | | |
| ***Financial assets measured at amortised cost*** | | **83.641** | **31.359** | | **13.767.734** |
| Interest rate | Option / Cap / Floor / Collar / Swaption | 83.641 | | | |
| Equity instruments | Equity forward | | | | |
| Currency (FX) | FX forward | | | | |
| Credit | Credit default swap | | | | |
| Commodity | | | | | |
| Other | | | | | |
| ***Liabilities*** | | | | | |
| ***Financial assets measured at amortised cost*** | | **4.626.729** | **124.061** | | |
| Interest rate | Option / Cap / Floor / Collar / Swaption | 4.626.729 | | | |
| Equity instruments | Equity forward | | | | |
| Currency (FX) | FX forward | | | | |
| Credit | Credit default swap | | | | |
| Commodity | | | | | |
| Other | | | | | |

Table DHA.7

| By type of risk | By instrument 2018.12 in '000 EUR | *Micro-hedges* | | | *Macro-hedging* |
|---|---|---|---|---|---|
| | | *Carrying amount hedge items* | *Hedge adjustments on the hedged items* | *Remaining adjustments for discontinued micro hedges* | *Carrying amount hedged items in portfolio hedge of interest rate risk* |
| ***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** | | **13.251.683** |
| 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.8

See also chapter 33 *Offsetting*.

# 23 Property, Plant and Equipment

| PPE measured after recognition using the revaluation model 2019.12 in '000 EUR | Owner-occupied land and building | IT equipment | Office equipment | Other equipment (including cars) | Total carrying amount |
|---|---|---|---|---|---|
| **Opening balance** | 36.739 | | 251 | 307 | 37.297 |
| Additions | 225 | 1.882 | | 12 | 2.119 |
| Acquisition through business combinations | | | | | |
| Disposals | | | | | |
| Disposals through business combinations | | | | | |
| Depreciation | -2.039 | -152 | -36 | -25 | -2.253 |
| 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** | 34.925 | 1.730 | 215 | 294 | 37.163 |
| Amortization financial year | 2.039 | 152 | 36 | 25 | 2.253 |
| Amortization previous year | 32.518 | 2.133 | 2.117 | 628 | 37.396 |
| **Cumulated Amortization** | 34.557 | 2.285 | 2.153 | 653 | 39.647 |

Table PPE.1

| 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.2

# 24 Intangible Fixed Assets

Intangible fixed assets evolved from 13.3 million EUR to 16.7 million EUR.
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.

AXA Bank Belgium invests in new developments regarding payment transactions, more specifically in 2019 in Instant Payments

The project costs associated with this for the year 2019 are a combination of costs related to project management, study phase and development phase. The costs related to the study phase are not capitalised. Based on the IFRS rules, an amount of 6.4 million EUR was capitalised in 2019 (Loan Origination Consumer Loans 0.03 million EUR –Loan Origination Mortgages 3.2 million EUR – GPS 2.1 million EUR– Instant payments 1.1 million EUR)

On the intangible fixed assets realized this year and in previous years, 2.9 million EUR was depreciated in 2019.

| Other intangible assets accounted for by using the revaluation model 2019.12 in '000 EUR | *Goodwill* | *Internally developed software* | *Acquired software* | *Other internally developed intangible assets* | *Other intangible assets* | *Total carrying amount* |
|---|---|---|---|---|---|---|
| **Opening balance** | | **11.961** | **1.296** | | | **13.257** |
| Additions from internal development | | 6.351 | | | | 6.351 |
| 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 | | -2.625 | -284 | | | -2.909 |
| 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** | | **15.687** | **1.012** | | | **16.699** |
| Amortization financial year | | 2.625 | 284 | | | 2.909 |
| Amortization previous year | | 22.070 | 3.610 | | 7 | 25.687 |
| **Cumulated Amortization** | | **24.695** | **3.894** | | **7** | **28.596** |

Table IFA.1

| Other intangible assets accounted for by using the revaluation model<br>2018.12<br>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.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 2019 is 2.9 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 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.

As part of their future joint operation of ATMs, AXA Bank Belgium, together with 4 other banks (Crelan, VDK Bank, Bpost and Argenta Spaarbank), established the cooperative company Jofico in November 2019. Each bank owns a 20% stake within this company for a purchase value of 90,000 EUR.
PQB and Jofico are included in AXA bank Belgium's consolidation scope as associates, but due to their low interest, no equity method is applied to this.

Further there were no changes in the consolidation scope during the year 2019.

Summarised financial information of subsidiaries and joint ventures

| Entity 2019.12 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% | 1.234.004 | 1.231.101 | 388 | 31-12-18 |
| SPV Royal Street | 10,00% | 516.647 | 510.934 | | 31-12-18 |
| AXA BANK Europe SCF | 100,00% | 6.252.119 | 6.086.399 | 6.750 | 31-12-18 |

| Entity 2019.12 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% | 1.983 | 3 | -19 | 31-12-18 |
| Motor Finance Company N.V. | 100,00% | 6.948 | 1.828 | 124 | 31-12-18 |
| Payconiq Belgium N.V. | 10,00% | 30.263 | 8.304 | -14.087 | 31-12-18 |
| Jofico C.V. | 20,00% | N/A | N/A | N/A | 04-11-19 |

Tabel IASJ.1

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 | 31-12-17 |
| SPV Royal Street | 10,00% | 631.876 | 625.851 | | 31-12-17 |
| AXA BANK Europe SCF | 100,00% | 6.882.591 | 6.743.620 | 12.203 | 31-12-17 |

| 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 | 31-12-17 |
| Motor Finance Company N.V. | 100,00% | 8.274 | 3.220 | 511 | 31-12-17 |
| Payconiq Belgium N.V. | 10,00% | N/A | N/A | N/A | 24-05-17 |

Tabel IASJ.2

# 26 Other Assets

| Carrying amount in '000 EUR | 2019.12 | 2018.12 |
|---|---|---|
| Employee benefits | 108.672 | 109.703 |
| Servicing assets for servicing rights | | |
| Prepaid charges | 265 | 26 |
| Accrued income (other than interest income from financial assets) | 11.069 | 22.069 |
| Precious metals, goods and commodities | | |
| Other advances | 23 | 23 |
| Other | 8.422 | 3.766 |
| TOTAL | 128.451 | 135.587 |

Table OA.1

The line "Employee benefits" contains 108,106 million EUR for the individual asset items listed under item 13.2.2. of this financial statement (in this case the valuation of the group insurance contracts that are countered by our pension obligations)

# 27 Financial Liabilities Held for Trading

| Counterparty breakdown<br>Carrying amount<br>in '000 EUR | 2019.12 | 2018.12 |
|---|---|---|
| Deposits from credit institutions | | |
| *Current accounts / overnight deposits* | | |
| *Deposits with agreed maturity* | | |
| *Deposits redeemable at notice* | | |
| *Other deposits* | | |
| Derivatives held for trading | 444.968 | 353.394 |
| Short positions | | |
| *In equity instruments* | | |
| *In fixed income instruments* | | |
| Deposits (other than from credit institutions) | | |
| *Current accounts / overnight deposits* | | |
| *Deposits with agreed maturity* | | |
| *Deposits redeemable at notice* | | |
| *Other deposits* | | |
| Debt certificates (including bonds) | | |
| *Certificates of deposits* | | |
| *Customer saving certificates (also when dematerialised)* | | |
| *Bonds* | | |
| *Convertible* | | |
| *Non-convertible* | | |
| *Other* | | |
| Other financial liabilities | | |
| Accrued expenses (if accounted for separately) | | |
| TOTAL | 444.968 | 353.394 |

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).

AXA Bank Belgium has chosen to measure its own credit risk on EMTN based on the average of regular quotations of three banks (Crédit Agricole, Deutsche Bank and ING).

This fair value amounted to a total of 1.1billion EUR with a nominal amount of 1.0 billion EUR on 31 December 2019.

The changes to the debit value adjustments (DVA) amounted to -12.6 million on 31 December 2019 (before tax) 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 0.09 million EUR in OCI covers the EMTNs sold during the year.

As at 31 December 2019, no accumulated unrealized profit or loss was transferred to another equity category.

| Counterparty breakdown<br>2019.12<br>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) | 1.129.931 | 12.588 | -139.767 |
| *Certificates of deposits* | | | |
| *Customer saving certificates (also when dematerialised)* | | | |
| *Bonds* | 1.129.931 | 12.588 | -139.767 |
| *Convertible* | | | |
| *Non-convertible* | 1.129.931 | 12.588 | -139.767 |
| *Other* | | | |
| Subordinated liabilities | | | |
| Other financial liabilities | | | |
| Accrued Expense (if accounted for separately) | | | |
| TOTAL | 1.129.931 | 12.588 | -139.767 |

Table FLFVPL.1

| 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.2

# 29 Financial Liabilities Measured at Amortised Cost

## 29.1Deposits

| Counterparty breakdown 2019.12 in '000 EUR | Central governments | Non credit institutions | Corporate | Retail | Total carrying amount |
|---|---|---|---|---|---|
| Deposits from credit institutions | | | 2.454 | | 2.474 |
| *Current accounts / overnight deposits* | | | 2.454 | | 2.454 |
| *Deposits with agreed maturity* | | | | | |
| *Deposits redeemable at notice* | | | | | 20 |
| *Other deposits* | | | | | |
| Deposito's (andere dan van kredietinstellingen) | 1.111.969 | 771.167 | 1.262.790 | 16.425.917 | 19.571.842 |
| *Current accounts / overnight deposits* | 22.064 | 256.819 | 1.038.843 | 2.310.229 | 3.627.954 |
| *Deposits with agreed maturity* | 1.089.124 | 434.568 | 14.995 | 778.802 | 2.317.489 |
| *Deposits redeemable at notice* | | | | | |
| *Other deposits* | 781 | 79.780 | 208.952 | 13.336.886 | 13.626.399 |
| *Special deposits* | | | | | |
| *Regulated deposits* | 781 | 61.088 | 102.457 | 13.335.536 | 13.499.863 |
| *Mortgages related deposits* | | | | | |
| *Other deposits* | | 18.692 | 106.494 | 1.350 | 126.537 |
| *Deposit guarantee system* | | | | | |
| Debt certificates (including bonds) | | | | | 4.716.903 |
| *Certificates of deposits* | | | | | 82.035 |
| *Customer saving certificates (also when dematerialised)* | | | | | |
| *Bonds* | | | | | |
| *Convertible* | | | | | |
| *Non-convertible* | | | | | |
| Other | | | | | 4.634.868 |
| Subordinated liabilities | | | | | 18.431 |
| Other financial liabilities | | | | | 870.018 |
| Accrued expenses (if accounted for separately) | | | | | |
| **TOTAL** | **1.111.969** | **771.167** | **1.262.790** | **16.425.917** | **25.179.668** |

Table FLAC.1

| 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* | | | | | |
| Deposito's (andere dan van kredietinstellingen) | 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.2

## 29.2 Subordinated Liabilities

| Maturity date 2019.12 in '000 EUR | Convertible subordinated debts | Non convertible subordinated debts | Other term subordinated debts | Subordinated advances |
|---|---|---|---|---|
| Current year | | 370 | | |
| Current year +1 | | 3.505 | | |
| Current year +2 | | 2.911 | | |
| Current year +3 | | | | |
| 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 | | 11.645 | | |
| **TOTAL** | | **18.431** | | |

Table FLAC.3

| Maturity date 2018.12 in '000 EUR | Convertible subordinated debts | Non convertible subordinated debts | Other term subordinated debts | Subordinated advances |
|---|---|---|---|---|
| Current year | | 615 | | |
| Current year +1 | | 4.129 | | |
| 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.4

Figures for 2018 have been adjusted in the sense that € 615k was shifted from the line 'current year +1' to the line 'current year'

## 29.3TLTRO-loans

AXA Bank Belgium has an outstanding amount of 691 million EUR in TLTRO loans at the end of 2019. The TLTROs are Eurosystem operations intended to provide long-term funding to credit institutions.

They offer this long-term funding to banks on attractive terms with the aim of easing credit conditions in the private sector and stimulating bank loans to the economic world. On 7 March 2019, the European Central Bank announced that it would provide a new series of TLTRO loans consisting of 7 sections, each over a 3-year period with the possibility of early repayment after 2 years. AXA Bank Belgium has subscribed 91 million EUR in the first section. The benefit of a pro-market interest rate is spread in the result over the term of the TLTRO loans.

# 30 Repos and Reverse Repos

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

| Transferor : Liabilities (financing obtained)<br>2019.12<br>in '000 EUR | *Total* |
|---|---|
| **Repo** | |
| Credit institutions | 499.795 |
| Other than credit institutions | |
| <u>Total</u> | 499.795 |

Table RRR.3

| Transferee : Assets (financing granted)<br>2019.12<br>in '000 EUR | *Total* |
|---|---|
| **Reverse repo** | |
| Credit institutions | 199.929 |
| Other than credit institutions | 487.967 |
| <u>Total</u> | 687.896 |

Table RRR.5

| Transferee : Assets (financing granted)<br>2018.12<br>in '000 EUR | *Total* |
|---|---|
| **Reverse repo** | |
| Credit institutions | 960.031 |
| Other than credit institutions | |
| <u>Total</u> | 960.031 |

Table RRR.6

Repos and reverse repos are recognised for the paid amounts and received amounts, respectively.
See also chapter 33 *Offsetting*.

# 31 Provisions

| 2019.12<br>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 (current year) | | 22.799 | 184.784 | 10.103 | 16.088 | 233.774 |
| Additions | | 1.666 | 17.925 | 1.031 | 3.669 | 24.291 |
| Amounts used | | -349 | -25.098 | -827 | -4.450 | -30.723 |
| 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 | | | 14.568 | | | 14.568 |
| Exchange differences | | | | | | |
| Other movements | | | -2.250 | -247 | 736 | -1.760 |
| Closing balance | | 24.116 | 189.931 | 10.060 | 16.043 | 240.150 |

Table PROV.1

| 2018.12<br>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 | | 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.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 March and May 2020.

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 2019, 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 2019 tax year, new provisions were established for an amount of 1.7 million EUR concerning severance schemes that currently exist at AXA Bank Belgium, and a reduction in the provision for 8,7 million EUR of which 6.4 million EUR to cover the realized costs.

They are mainly severance schemes included in the successive collective agreements of 7 May 2007, their extension on 25 November 2009 and in the collective agreement of 16 March 2011. In addition, this also includes the provision under the new severance scheme of the end of 2018, which amounts to 16.3 million EUR at 31 December 2019. In total, these provisions amounted to 19.1 million EUR at 31 December 2019.

Loan commitments and guaranties

This item includes mainly the provision for closure of the Hungarian branch (8.3 million EUR).

Other Provisions

This item includes a provision for the planned consolidation of the agent network to an amount of 4.3 million EUR, and various small HR-related and other provisions.

# 32 Other Liabilities

| Carrying amount in '000 EUR | 2019.12 | 2018.12 |
|---|---|---|
| Employee benefits | 18.268 | 12.007 |
| Social security charges | 7.118 | 6.561 |
| Servicing liabilities for servicing rights | | |
| Leasing liabilities | | |
| Accrued charges (other than from interest expenses on financial liabilities) | 1.462 | 1.778 |
| Income received in advance | 1.521 | 1.554 |
| Other debts | 17.039 | 13.759 |
| TOTAL | 45.408 | 35.658 |

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:

- AXA LIFE EUROPE LTD (France FoS VA)
- AXA LIFE EUROPE LTD (GERMANY BRANCH)
- AXA LIFE INVEST REINSURANCE (JAPAN)
- AXA LIFE EUROPE LTD (MedLA BRANCH)
- AXA LIFE EUROPE LTD(UK foS VA Bus)
- LCH Clearnet CM HSBC France

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.

Since 2019, AXA Bank Belgium has also applied this netting to repos and reverse repos transactions with counterparties with which master netting agreements have been concluded that allow netting under all circumstances (2000 and 2011 version).

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

| Carrying amounts in '000 EUR 2019.12 | Gross amounts before offsetting | Amounts set off against financial liabilities | 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 | 2.602.851 | 1.859.535 | 743.317 | 210.435 | 520.960 | 11.922 |
| Derivatives - hedging | 168.223 | 159.999 | 8.224 | 2.443 | 5.764 | 17 |
| Reverse Repos | 845.692 | 157.796 | 687.896 | 687.896 | 0 | 0 |
| **Total** | 3.616.766 | 2.177.330 | 1.439.436 | 900.773 | 526.724 | 11.939 |

Tableau OFFS.1

## Financial liabilities - offsetting

| Carrying amounts in '000 EUR 2019.12 | 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 | 2.534.386 | 2.089.418 | 444.968 | 204.490 | 210.426 | 30.052 |
| Derivatives - hedging | 974.975 | 916.581 | 58.394 | 25.030 | 27.615 | 5.749 |
| Repos | 657.591 | 157.796 | 499.795 | 499.784 | 11 | 0 |
| **Total** | 4.166.953 | 3.163.796 | 1.003.157 | 729.304 | 238.052 | 35.801 |

Tableau OFFS.2

Financial assets – offsetting

| Carrying amounts in '000 EUR 2018.12 | 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 | 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 |

Tableau OFFS.3

Financial liabilities - offsetting

| Carrying amounts in '000 EUR 2018.12 | 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 | 3.986.709 | 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 |

Tableau OFFS.4

# 34 Contingent Assets and Liabilities

| CONTINGENT ASSETS AND LIABILITIES<br>Reference amounts<br>2019.12<br>en '000 EUR | Provided | Received |
|---|---|---|
| Non-included section of the credit lines | 1.201.640 | |
| Credit-replacing security | 1.140.841 | 22.517.240 |
| Collateral concerning repos, reverse repos and derivatives | 2.755.151 | 1.991.373 |
| Other obligations | 2.662.780 | 2.176.995 |

Tableau CAL.1

| CONTINGENT ASSETS AND LIABILITIES<br>Reference amounts<br>2018.12<br>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.2

| 2019.12<br>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 | 13.653 | -4.285 | 9.368 |
| Corporate | 29.340 | -10.040 | 19.300 |
| Retail | 241.499 | -43.651 | 181.338 |
| TOTAL | 284.492 | -57.976 | 210.006 |

Tableau CAL.3

| 2018.12<br>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 | 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 |

Tableau 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 for 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 for loans are related to mortgage loans, consumer loans and professional loans.

Residential loans involve mortgages (registrations or mandates) on fully-owned real estate properties. For limited amounts of credit with a duration of up to 10 years, a mortgage promise may also be allowed. The mortgage guarantees to be established are reusable in the context of any subsequent residential loans. In addition, a waiver of wages and other income is required and movable guarantees with a capital guarantee can be accepted as surity. All guarantees should be established for the official recording of the credit. For a bridging loan, a mortgage mandate is established on both the property to be sold and the property to be acquired.
For consumer loans (loans on instalment), only 1 type of guarantee is used, the transfer of debt in particular (renunciation of wages and other income).

More information on the quality of the guarantees you can find in 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.

Given the variety of purposes, there is a wider range of guarantees for professional loans, such as:

- 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:
    - the estimated value of the property on the basis of an estimate report or on the basis of the purchase price/pro fisco value from the deed and, where applicable, on the basis of the quotation/architect's cost estimate for works. There is a periodic indexation of these valuations. Depending on the credit product and the saleability of the property, an estimate will take the free or forced sale value into account.
    - 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

- Valuation other guarantees:
    - Ceding of account balances and insurance policies: valuation against 100% of the blocked deposit
    - Personal or moral guarantees: valuation according to the proven solvency of the guarantor (especially his real estate) or his determination to honour the undertaking through a severely respected payment plan.
    - -Pledging of commercial funds: 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
- Substituting the privilege of the seller of movable property, transfer of claims and transfer of wages: valuation in function of
  - the contested or not contested nature of the transferred claim
  - -the creditworthiness of the ceded debtor

**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

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);
    - Daily banking
    - Deposits (Savings)
    - Investments
    - Professional loans
    - Other retail loans
- Intermediation activities.

The retail banking activity consists mainly of collecting funding in particular daily operations (daily banking), investments products (Investments) and providing loans to its customers: professionals and small businesses (professional loans), individuals (other retail loans) through its network of independent agents. The reported figures include the relevant 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 reported figures also include treasury activity. The treasury activity consists of providing short term liquidity and funding as 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

| 2019 in '000 EUR | Daily Banking | Deposits | Invest | Professional loans | Other retail loans | ALM and Treasury | Retail banking | Intermediaton | Reconciliation | Amounts consilidated financial account |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest margin (incl. commissions and realized gains) | 27.552 | 31.843 | 16.996 | 22.871 | 190.340 | 8.295 | 297.897 | 14.549 | -6.422 | 306.024 |
| Operating expenses | -52.229 | -9.563 | -21.012 | -11.223 | -49.124 | -19.355 | -162.505 | -16.262 | -48.292 | -227.059 |
| Impairments | -605 | -17 | 7 | -1.327 | 1.737 | | -206 | | -9.139 | -9.346 |
| Taxes | | | | | | | -25.439 | | 5.444 | -19.995 |
| Underlying earnings | -25.282 | 22.262 | -4.009 | 10.321 | 142.953 | -11.060 | 109.747 | -1.714 | -58.409 | 49.624 |
| Discontinued Operations | | | | | | | | | | |
| Net income | | | | | | | | | | 49.624 |

Tabel SI.1

| 2018 in '000 EUR | Daily Banking | Deposits | Invest | Professional loans | Other retail loans | ALM and Treasury | Retail banking | Intermediaton | Reconciliation | Amounts consilidated financial account |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest margin (incl. commissions and realized gains) | 23.595 | 50.935 | 9.136 | 19.570 | 184.056 | 2.372 | 289.664 | 12.489 | 18.162 | 320.315 |
| Operating expenses | -47.573 | -57.304 | -29.575 | -8.984 | -56.080 | -16.128 | -215.644 | -11.076 | -14.200 | -240.920 |
| Impairments | -292 | -1.924 | -66 | -4.498 | 12.805 | 0 | 6.025 | 0 | -25.567 | -19.542 |
| Taxes | | | | | | | 2.188 | 330 | -17.435 | -14.916 |
| Underlying earnings | -23.292 | -2.982 | -20.974 | 6.674 | 134.375 | -13.756 | 82.233 | 1.743 | -39.039 | 44.937 |
| Discontinued Operations | | | | | | | | | | |
| Net income | | | | | | | | | | 41.437 |

Tabel SI.2

Major items reported in the column 'Reconciliation':

a) Interest margin

- difference in classification between the segment reporting and the consolidated income statement (2019: 8.2 million EUR). This is mainly related to a different classification of the recoveries on amortised loans (7.4 million EUR). In 2018 these classification differences amounted to 11.7 million EUR.

- elements not included in underlying earnings in the segment reporting (2019: -15.6 million EUR – 2018: 4.4 million EUR, mainly realized on the sale of investment securities (impact in 2019: -10.3 million EUR, + 4.5 million EUR impact in 2018) and fair value adjustments on derivatives (impact in 2019: - 6 million EUR / impact in 2018: - 3.7 million EUR));

b) Operating expenses:

- difference in classification between the segment reporting and the consolidated income statement (2019: -41.8 million EUR). This concerns the amount of bank tax as well as the contribution to the deposit guarantee fund and resolution fund that could not be allocated to the different segments in 2019 In 2018 this was mainly related to a different classification of the provision for the consolidation of the agency network (4.1 million EUR) and the write-back of the provision for tax litigations (-19.8 million EUR).
- certain expenses that are not included in underlying earnings in the segment reporting (2019: -5.5 million EUR – 2018: -25.5 million EUR), mainly HR related provisions;

c) Impairment:

- differences in classification between the segment reporting and the consolidated income statement (2019: –9.3 million EUR). See above the comments on the interest margin concerning the different classification of the recoveries on amortised loans. In 2018, the difference in classification amounted to -24.5 million EUR - see also the top two sections for more information.

d) Taxes:

- elements not included in underlying earnings in the segment reporting (2019: 5.2 million EUR – 2018: 4.6 million EUR, tax effects on the elements not included in underlying earnings)

# 38 Related-party Transactions

| Amounts to be paid and to be received from related parties<br>2019.12<br>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 | | 12 | 2 | 625 | 593.454 |
| Shares | | | | | |
| Bonds | | | | | |
| Loans | | 12 | 2 | 625 | 593.454 |
| Selected financial liabilities | | 430 | | 1.545 | 617.541 |
| Deposits | | 430 | | 1.545 | 474.934 |
| Issued securities | | | | | 142.607 |
| 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 | | | | | 30.928.012 |
| Provisions for impairment on debt instruments, guarantees and commitments | | | | | |

Table RPT.1

| Expenses and income resulting from transactions with related parties<br>2019.12<br>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 | | | | | 1.023.199 |
| Interest paid | | | | | 900.808 |
| Dividends received | | | | | |
| Commission received | | | | | 16.412 |
| Commission paid | | | | | 2.965 |
| 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<br>2018.12<br>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.3

| Expenses and income resulting from transactions with related parties<br>2018.12<br>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.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 | 2019.12 | 2018.12 |
|---|---|---|
| Short-term employee benefits | 2.588 | 2.621 |
| Post-employment benefits | 72 | |
| Other long-term benefits | 316 | 290 |
| Share based payments | 236 | 188 |
| TOTAL | 3.212 | 3.099 |

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 6,357.38 and 185,682.05 EUR.

# 40 Financial Relationships with Auditors

| Carrying amount in '000 EUR | 2019.12 | 2018.12 |
|---|---|---|
| | PWC | PWC |
| Remuneration of the auditors | 540 | 466 |
| Remuneration for exceptional activities or special commissions performed within the company by the auditors | | |
| Other audit activities | 145 | 139 |
| Advisory activities | | |
| Other activities outside audit activities | | |
| *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 | 25 |
| 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 2019 no activities were reported as discontinued based on IFRS 5 *Non-current Assets and Disposal Groups Held for Sale*.

# 42 Events After the Balance Sheet Date

Sale of AXA Bank Belgium

On the 25th of October 2019 AXA SA and Crelan Co announced an agreement to sell AXA Bank Belgium to Crelan Co, as part of a strategic long-term partnership.

Several months will pass by between the signing of the agreement (signing) and the official transaction of shares (closing). The closing is expected to take place during the second half of the year 2020, after having received the approval of the regulators. It is at that moment that the modalities of the agreement enter into force and the migration can start.

During this period both banks will continue to operate independently from each other so that for the time being there will be no impact on the financial results of AXA Bank Belgium.

Crelan Co has the intention to finalize this transformation into a new common bank within a time period of 2.5 years.

Brexit (UK exit from the European Union)

In anticipation of the expected Brexit agreement, AXA Bank Belgium has begun reviewing their ISDA/CSA agreements to be potentially transferred to other entities within the European Union.

Covid-19

Since March 2020 AXA Bank Belgium is, as all economic actors impacted by the pandemic Covid-19 in its day to day operational way of working. As part of its crisis management, the bank therefore took immediately the necessary measures from an organisational, processes, governance and health safety point of view to ensure full business continuity and, first and foremost, putting the health and safety of its employees and customers as its first priority. AXA Bank Belgium periodically tested business continuity procedures were implemented: the level of digitalization and our flexible way of working have contributed to an effective implementation and will certainly continue to play an important role going forward.

Given the situation at the end of 2019 (limited cases known, no evidence of human-to-human transmission at that date) there was no impact on our estimations or assumptions used to produce figures such as our expected credit losses or fair value measurements.

Regarding future expectations it is difficult to predict and quantify any impact for the following weeks and months. Despite a probable material impact on the local and world economy, it is hard, at this stage to evaluate the depth and duration of the crisis as national authorities are, everywhere, constantly gearing up the measures to limit the transmission and its impacts. Within AXA Bank Belgium the situation is closely monitored within the different usual Boards and Committees of the bank as well as through a dedicated crisis management governance. Such monitoring includes the follow up of our customer and market behaviour and economic parameters such as GDP (global domestic product) and employment rate, etc.. This will allow us to take the necessary measures to support not only the activity of the bank but also those of our customers.
AXA Bank Belgium took note of the recent communication of the ECB and other instances to relax some of the solvency and liquidity requirements as well as the recommendation to limit the pro-cyclical effect within IFRS 9 accounting standards.

We will therefore carefully review the IFRS 9 accounting standards for potential measures to support some of our credit clients who may encounter temporary liquidity issues due to this crisis.

At this moment, AXA Bank concludes that the capital- and liquidity position is under control.

# 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 (*)
Peter Philippaerts
Pieter Desmedt (since 28 February 2019)

**Management Committee**
Peter Devlies, chairman
Jeroen Ghysel
Emmanuel Vercoustre
Frank Goossens
Peter Philippaerts
Pieter Desmedt (since 28 February 2019)

**Audit Committee**
Patrick Keusters, chairman (*)
Philippe Rucheton (*)
Patrick Lemoine

**Nomination Committee**
Jef Van In, chairman
Benoît Claveranne
Patrick Keusters (*)

**Remuneration Committee**
Jef Van In, chairman
Benoît Claveranne
Michael Jonker (*)

**Risk Committee**
Philippe Rucheton (*) (chairman)
Patrick Lemoine
Michael Jonker (*)

**Statutory Auditor**
PwC, Auditors, bcvba, represented by Gregory Joos (licensed auditor)

(*) independent director, according to art 526 Company Code

# Management Report

AXA Bank Belgium 2019 Results

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# Message from the Chairman of the Board of Directors and the Chief Executive Officer

In 2019, AXA Bank Belgium managed to deliver strong results inspired by both increased revenues and decreased costs. Operational net profit rose by 4 million euro to 66 million euro. Net Profit increased to 50 million euro mainly due to exceptional items. This has been realized in yet another challenging year for the banking sector, caused by a continued regime of low interest rates while maintaining a high pace of investment in new tools and applications and absorbing many regulatory requirements such as GDPR (General Data Protection Regulation) and AML (Anti Money Laundering).

Excellent commercial results were reached in several key business areas:

With regards to Credits, AXA Bank Belgium serviced record volumes in mortgages and professional loans. Part of the extra gross production in mortgage loans was triggered by the fiscal incentive for our clients to have loans handled by year-end. On the other hand, a higher level of pre-payments and refinancing were weighing on the overall results. Thanks to the growth in credit production at an improved margin, AXA Bank Belgium managed to keep its interest revenues flat despite pressure on liabilities margins due to the flattened and lowered interest rate curve.

AXA Bank Belgium's fee revenues increased, in particular coming from growing Invest revenues and increased revenues from payments activities. Against the background of a struggling world economy, volatile stock markets and a precarious political situation in the US, China, Europe, etc., the Invest portfolio for AXA Bank Belgium increased from 3.5 billion euro to 4.3 billion euro.

General expenses continued to decline due to tight cost control processes and increased automation practices. However, our investment rhythm has been kept at the same pace as in previous years, strengthening the bank in the delivery of its strategy. The bank taxes at 41.8 million euro still constitute a big part of the total operational costs (18%).

Throughout 2019, AXA Bank Belgium continued to execute its transformation plan set in motion in 2017. Nearly half our customer base is now digitally active, allowing our agent network to focus on their key strength: serving customers at key moments by leveraging their expertise. The GPS tool for our agents has made it possible to streamline the Invest approach in the agency while satisfying all regulatory requirements.

More expertise and higher rhythm in the agencies require larger but fewer branches, the latter being supported by increased digitalization. The decrease from 555 to 469 branches during 2019 hasn't prevented the bank from realizing record commercial volumes. In addition, for the third consecutive year AXA Bank Belgium has been awarded "best branch network" (Spaargids survey), confirming the strength and expertise of our agents. Combined with a flexible and high-performance online platform for banking services, the overall appreciation of our clients is attested by the increased Net Promoter Score, up from 24 to 29. On top of this, we are also proud to have been the recipients of the "Best bank of the year" award (Spaargids survey).

The last quarter of 2019 has been marked by the intention of Crelan Co to acquire shares of AXA Bank Belgium. This event is seen by both banks as an opportunity to grow in scale and participate in a competitive market as a confident market player providing all the digital innovations to their clients in line with market regulations and good credit quality.

**Peter Devlies**
Chief Executive Officer

**Jef Van In**
Chairman of the Board of Directors

"AXA Bank up among the top 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 one insurance brand worldwide.

AXA Bank and AXA Insurance work closely together to make the AXA brand as strong as possible on the Belgian market.

With its customer-oriented approach, AXA Bank focuses on proactively guiding 853,587 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 2019, 20,000 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 2019, for the third consecutive year, with the bank awards for Best Branch Network, but now also the award for Best Bank overall.

# AXA Bank Belgium Activities

AXA Bank Belgium is primarily a retail bank, focusing on retail daily banking, savings and lending, i.e. servicing clients with 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. To do so, 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 derivatives 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. Given the ongoing sale by AXA SA of AXA Life Europe, which is the main client of this intermediation activity, the Intermediation activity will be partly downsized over time. This activity also encompasses the structuring and secondary market activity for EMTN.

## ASSET AND LIABILITY MANAGEMENT

AXA Bank Belgium's ALM is in charge of monitoring and hedging 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 are committed 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.

## AXA GROUP INSTITUTIONAL UNDERTAKINGS

In appendix (Chapter 7 of the 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.

AXA Hearts in Action, AXA's volunteering programme, is not a stand-alone initiative, but is firmly embedded in AXA's core philosophy. Based on the idea that we are all responsible for each other. This means that we support people and themes that are close to our heart and that we work together for a better future, share our knowledge and experience and help vulnerable people. Our dedicated employees are our main weapon here!  In 2019, one out of two employees participated in different activities, adding up to 5 237 volunteer hours.

TADA is a splendid example. AXA Belgium has been a partner right from the start.  The organisation tackles social exclusion and offers more than 1 000 disadvantaged children from Brussels the opportunity to learn from professionals like our employees.

For the 6$^{th}$ year in a row, we are a national partner of Relay for Life, an initiative of the Foundation against Cancer, and participate in teams.  The fundraising and solidarity on which Relay for Life depends, gives thousands of cancer patients hope for a future.

Every year, no fewer than 1 400 lifeguards are in action on the North Sea coast to ensure the safety of swimmers. They are real ambassadors of risk prevention! This common goal – with prevention as a core business – is the starting point for the partnership between AXA and IKWV.

With the Special Olympics, we have joined forces to fight against the social exclusion of more than 3,400 athletes, support GoodPlanet with the goal of building a sustainable society and are a partner of the Fire Safety Truck, an interactive vehicle of Oscare to make everyone aware of fire safety.

All of these inspiring projects have a single aim: to give something back to society, in some form or other.

# Economic Context

## Economic and Financial Context 2019

*"Economic activity in Belgium has progressed more slowly than the European average, mainly due to slower export growth."*

**% 1.1**

Belgian GDP Change (1)

**€ 30 bn**

Mortgage loans granted in Belgium (3)

**% 1.2**

Belgian Inflation (2)

**€ 385 bn**

Household deposits in Belgium (2)

# The Economic And Financial Context

In 2019, growth in the global economic activity decreased sharply to 2.9% from 3.7% in 2018. Among advanced economies, the weakening has been broad based, affecting major economies (the United States and especially the euro area) and smaller Asian advanced economies. The slowdown has also been pronounced across emerging markets and developing economies such as Brazil, China, India and Russia. Global growth is projected to rise to 3.3% in 2020 and to 3.4% in 2021, reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing European markets that are under macroeconomic strain. The level of growth remains uneven throughout the world. In mature countries, growth decreased sharply to reach 1.7% in 2019, compared to 2.3% in 2018. In emerging countries and developing countries, a sharp decrease in growth was also registered for 2019 compared to 2018, reaching a level of 3.7%. Even though its growth rate posted a decrease of 0.5 points compared to 2018, China remains a growth engine, with a growth rate equal to 6.1% in 2019.

### UNITED STATES

In the United States, due to the sharp rise of trade tensions with China, which resulted in a significant increase in tariffs, GDP growth declined compared to 2018 and reached 2.3% in 2019. Growth is expected to fall to 2.0% in 2020 and decline further to 1.7% in 2021.

The Federal Reserve has decided to lower its Fed Funds rate, the interest rate banks charge each other to lend Federal Reserve funds overnight, by 0.25 points. In fact, the rate decreased to 2.25% in August 2019 from 2.5% in December 2018. In October 2019, the rate reached 1.75%. The Federal Reserve referred to the decreasing investments and exports, the global economic slowdown and to a lower than targeted 2% inflation rate to defend its position.

The S&P 500 has risen in a volatile way throughout the year, reaching a record high in January 2020.

### EUROPE

The Euro Zone shows a lower GDP growth of 1.2%, compared to 1.9% in 2018. This decline is mainly explained by a slowdown in industrial output resulting from weaker external demand. Nevertheless, forecasts expect a reversal of this downward trend with the GDP growth rate gaining 0.1 point compared to 2019 and reaching 1.3% in 2020 and 1.4% in 2021. Growth rates have been revised downward for many countries, notably Germany where manufacturing activity remains in contractionary territory in late 2019, and Spain due to a stronger than expected deceleration in domestic demand and exports. The 2020 forecast for Italy is also revised downward due to diminishing private consumption, a smaller fiscal impulse and a weaker external environment. With regards to the forecast for France, it has also been revised downward slightly due to weak external demand.

The European Central Bank (ECB) will continue its asset purchase programme, at a monthly pace of 20 billion euro, as long as necessary in order to reinforce the accommodative impact of its policy rates. In 2019, the European Central Bank (ECB) further decreased the deposit facility rate from -0.4% to -0.5%. The interest rates on the main refinancing operations and the interest rates on the marginal lending facility remain unchanged at 0.00% and 0.25% respectively.

In Europe, the Euro Stoxx 50 reversed, in a volatile way, its 2018 downward trend, reaching in January 2020 its highest price since 2015.

### UNITED KINGDOM

In the United Kingdom, growth is expected to stabilize at 1.4% in 2020 and to keep on growing to reach 1.5% in 2021. This growth forecast is based on the assumption that the United Kingdom's exit from the European Union at the end of January takes place in a structured way.

The Bank of England's base rate has remained unchanged throughout 2019 and is equal to 0.75%.

## JAPAN

In Japan, growth is projected to decrease from 1% in 2019 to 0.7% in 2020. In 2021, growth is expected to further decline to 0.5% due to the fading of the fiscal stimulus.

## RUSSIA

In Russia, growth in 2019 was significantly lower than in 2018, reaching 1.1%. However, growth is expected to pick up in 2020, reaching 1.9% thanks to a recovery in activity.

## INDIA

Growth in India has decreased by 2 points compared to 2018, reaching 4.8% in 2019. This is explained by a very weak domestic demand and a decline in credit growth. Its forecasts for 2020 are however more promising, as India's growth is expected to improve to 5.8% in 2020 and 6.5% in 2021 as a result of monetary and fiscal stimuli as well as moderated oil prices.

## BELGIUM

In 2019 and 2020, global growth is hampered by trade conflicts and protectionist measures. Nevertheless, the economic activity in Belgium has progressed a bit higher than the European average, but shows lower growth than last year (growth of Belgian GDP(1): +1.1% vs. +1.4% in 2018), mainly due to slower export growth.

| | 2018 | 2019 | 2020 Forecast |
|---|---|---|---|
| **Belgian GDP** *(Change)* | 1.4 | 1.1 | 1.1 |

Inflation(2) dropped to 1.2% in 2019, a sharp downturn on 2018 (2.3%).

The fall in energy prices was widespread in 2019. Oil prices are said to have been trending downwards while natural gas and electricity prices were also below their level in late 2018.

Wage growth increased by 2.4% in 2019. Furthermore, the increase in purchasing power is explained by further cuts in personal income tax (as part of the last phase of the tax shift) and by higher wage indexation in the private sector, combined with a slowdown in inflation. Investments in real estate benefit from low interest rates with a growth of 3% in 2019 (1.5% expected in 2020).

Over the past four years, domestic employment has grown by 226,000 workers. This increase is not explained solely by the economic upturn; it was also supported by measures taken since 2015 to reduce the cost of labour. Employment in the merchant sector increased by 1.4% on average per year during this period. The number of unemployed (including the fully compensated unemployed who are not jobseekers) fell by 141,000 over the same period, while the harmonized unemployment rate (Eurostat definition) fell by 6% to 5.5%. Job growth is expected to gradually slow down over the course of this year.

OLO rates (10 years) decreased to 0.5% in 2019 (vs 0.7% in 2018). The interbank rate remained below 0% in 2019, fluctuating between -0.31% and -0.44% (lowest ever since 1989). For the banking sector, this low interest rate environment is difficult to carry and it is a challenge to keep the interest margin stable. The minimum guaranteed interest on saving accounts in particular is making the liability side costly.

The current economic situation means that the Belgian consumer has become more pessimistic, which has resulted in a slight decline in consumption by individuals. As a result, growth in personal consumption remains much lower than the growth of purchasing power, leading to an increase in the savings rate, which reached 13.0% (vs 11.9% in 2018).

The annual inflation rate for house prices(4) amounted to 3.9% in Q3 2019 compared to 2.6% in Q3 2018. The house price index stands at 115.28 points (2015 = 100) in Q3 2019 compared to 110.99 points in Q3 2018.

Belgian households(2) had a record amount of deposits in 2019 of 385 billion euro (370 billion euro in 2018).

In Q3 2019, 30 billion euro in new mortgage loans were granted(3) across the whole market. The amount is proportionally 30% higher than the same period in 2018, mainly due to the announcement of the abolition of the housing bonus in Flanders.

*(1) Data Source: Federal Planning Bureau*
*(2) Data Source: NBB (Inflation rate is the Harmonised Index of Consumer Prices (HICP))*
*(3) Data Source: BVK*
*(4) Data Source: Statbel*

# Results 2019

*"In 2019, the production of new mortgage loans reached a record high."*

**€ 4.1 bn**

Mortgage Loans Production

**€ 642 m**

Professional Loans Production

**€ 382 m**

Net Growth Invest

**# 384 k**

Digital active users

## CUSTOMER JOURNEY CREDITS

**Mortgage loans** – In 2019, the production of new loans reached the exceptional level of 4.1 billion euro, highly influenced by fiscal reform in Flanders ("woonbonus"). The observed market share in 2019 was relatively stable compared to 2018 and high production was achieved without loosening the credit standards. Total Belgian production increased from 37 to more than 46 billion euro and we succeeded in maintaining our market share at 9%. The portfolio of outstanding mortgage loans continued to grow, totalling almost 20 billion euro, and is of an excellent quality.

**Professional loans** - The improved commercial activities on the self-employed and micro-enterprise segment and the renewal of the offer in professional loans started in April 2015. From then on, professional loan production has increased yearly with double digit percentages. 2019 was an outstanding year for professional loans with an increase in production from 537 million euro in 2018 to 642 million euro (+20%). This growth was made possible by the favourable economic environment, on the one hand, but, on the other hand, also by the sustained commercial efforts during the last years in the B2B segment. This year we invested especially in creating more awareness in the market of our role as a Bank for professionals. We invited more than 750 accountants to seminars organized twice this year all over the country. This concept helps our bank agent to partner with accountants in finding the best financial solutions for common clients. We further invested in the expertise and the pro-activity of our agent network through training courses, sales leads and specific technical support and we granted the Business Banking label to 30 of our most experienced agents in the professional segment. The outstanding portfolio grew by 13 % from 1,657 million euro to 1,876 million euro

**Consumer loans –** The launch of a new omnichannel approach combined with a personalized pricing and an active campaign management resulted in a total production increase of 15% to 323 million euro. This includes a growing share of digital demands. Our market share evolved from 2.99% in 2018 to 3.40% in 2019.

## CUSTOMER JOURNEY INVEST

In 2019, the total net new money (NNM) in invest amounted to 382 million euro, a decrease of 14% compared to 2018. This is the net result of growth in open funds of 452 million euro and a net outflow and maturities in EMTN and third party products of respectively 35 million euro and 35 million euro.

**Open funds -** Most of the NNM came from the sales of open funds, with a net growth of 452 million euro in 2019, however it is a decrease of 17% compared to 2018. This was the result of a slower than expected growth in the first quarter of 2019 as a consequence of the decreased investor confidence following a very volatile fourth quarter 2018 on the financial markets.

Part of this delay was compensated in the second half of the year by the highest production ever for AXA Bank, which led to a full year gross production of 610 Mio and an outflow of 158 Mio, hence a net growth of 452 Mio.

**EMTNs -** In 2019, one new EMTN was issued, with a gross production of 50 Mio. But maturities of existing EMTNs outnumbered the inflow, leading to a net outflow of 35 Mio, compared to a net outflow of 52 Mio in 2018.

**Third party products -** For a few years now, third party products (mainly individual lines of shares & euro bonds) are no longer being actively promoted. There was a net outflow in these products of 35 Mio, compared to 27 Mio in 2018. This was mainly the result of net outflow in external funds and net sales of individual lines of shares.

## CUSTOMER JOURNEY DAILY BANKING & DEPOSITS

**Daily Banking** - Most indicators show a continuous growth.

The number of current accounts has increased by 16,500. For private accounts, the portfolio-growth was mainly notched up within the (free) Start2Bank accounts (+22,000). The portfolio of (fee-generating) comfort2bank has decreased by -7,000.
With 30.2 million euro in 2019, fee income shows a small growth.

The AUM of Current accounts have continued to grow with net new money of 213 million euro.

The number of connected customers increased by 16,500. 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). The focus in 2019 was on increasing the number of digitally active customers, creating extra features in the mobile app and homebanking, resulting in efficiency improvements in the operational teams, and workload reduction within the agencies.

The credit card portfolio has increased by 5,500 cards, of which 1,400 High-end VisaPremiumPlus cards.

**Deposits** - AUM have increased by 187 million euros in 2019. This increase was composed of a rise in savings accounts (631 million euro), but a decrease in certificates of deposits (8 million euro) and term deposits (436 million euro). The drop in term deposits can be explained by the large amount of maturities and the 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 the bank’s 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 2019, a special focus has been set on the review of the Non-Maturing Deposit and Prepayment models to improve them further and better align them with the current low interest rates environment. We have continued to monitor the swaption portfolio closely and rebalanced the risks to decrease the P&L volatility.

Given the high volatility of interest rates in 2019 and the convexity of the portfolio, we have reviewed the process of hedging with the use of the real time interest rates curves at the time of any rebalancing. It contributes to a higher quality of hedging and a reduction of margin slippage.

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, given the decline in credit spreads on the bonds market, and to reduce risks, the size of the portfolio was reduced by 0.618 billion euros (book value) in 2019 and stood at 1.697 billion euros (book value) at the end of 2019.

## TREASURY AND INTERMEDIATION

European Medium Term Notes 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 4.9 billion euro and a porting/unwind transaction of 43.6 billion euro following the Share Purchase Agreement with regards to AXA Life Europe signed in 2018. The volume of new interest rate swaps (IRS) traded with AXA companies in 2019 stood at 11.3 billion euro, the off-balance sheet inventory of AXA Bank Belgium's treasury and intermediation derivatives notional has decreased in 2019 by 28.3 billion euro to 63.6 billion euro (Nov2019), compared to 91.9 billion euro in 2018.

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. Given the nature of the Share Purchase agreement with regards to AXA Life Europe and with Crelan, such intermediation activities are expected to be further downsized in 2020.

# Comments on the 2019 consolidated IFRS results

PROFITS AND LOSSES

| In million EUR | 2018 | 2019 |
|---|---|---|
| Financial & operating income and expenses | 320 | 306 |
| Administrative costs and amortisations | 235 | 233 |
| Provisions | 25 | 3 |
| Total profit<br>*(From continuing operations before taxes and minority interests)* | 60 | 70 |
| Net Profit | 45 | 50 |

**Financial & operating income and expenses –** Financial & Operating income and expenses overall decreased by 14 million euro compared to 2018. Despite a difficult interest rate environment, AXA Bank Belgium managed to stabilize its interest margin and increase its revenues from fee business (+8 million euro). This positive impact is however neutralized by the capital loss linked to the sale of Italian government bonds in 2019 (-10.3 million euro) and the capital gain linked to the shares of Payconiq in 2018 (4.5 million euro ) which did not take place.

**Administrative costs and amortizations** - Administrative costs (-0.6 million euro) and amortizations (-1.0 million euro) were further reduced. The decrease in administrative costs is partly linked to the effects of the early retirement plan, but is also a consequence of continuing structural cost reduction measures offsetting a pursuit of focused investments in our core business.

**Provisions** - The decrease in provisions is mostly the result of the non-repeat of provisioning of the early retirement plan booked in 2018 (a voluntary leave plan announced in October 2018 for people turning 60 no later than 31.12.2020). More fundamentally, 2019 was again a year with exceptionally low credit loss.

**Total profit from continuing operations before taxes and minority interests** – Total profit or loss from continuing operations before taxes and minority interests stands at 70 million euro, which is up 10 million euro compared to 2018.
**Net profit** – Net profit stands at 50 million euro, which is up 5 million euro compared to 2018.

## BALANCE SHEET AND OFF-BALANCE SHEET

### BALANCE SHEET

| In Million EUR | 2018 | 2019 |
|---|---|---|
| Cash balances | 404 | 1,049 |
| Financial Assets | 25,910 | 26,635 |
| *Held for trading* | *774* | *744* |
| *At Fair value through OCI* | *2,319* | *1,714* |
| *At amortized cost* | *22,817* | *24,177* |
| Investments in subsidiaries, joint ventures and associates | 0 | 12 |
| Derivatives – Hedge accounting | 18 | 8 |
| Fair value changes | 403 | 877 |
| Other assets | 218 | 209 |
| **Total Assets** | **26,953** | **28,790** |

**Assets** – 2019 is marked as another year of growth on the credit portfolio (+1.4 billion euro) explaining most of the balance sheet growth. Cash balances also increased in line with the bank's strong liquidity.

| In Million EUR | 2018 | 2019 |
|---|---|---|
| Financial Liabilities | 25,437 | 27,255 |
| *Held for trading* | *353* | *445* |
| *At Fair value through OCI* | *1,215* | *1,130* |
| *At amortized cost* | *23,868* | *25,680* |
| Derivatives – Hedge accounting | 69 | 58 |
| Provisions | 234 | 240 |
| Other liabilities | 68 | 71 |
| Equity | 1,145 | 1,166 |
| **Total Liabilities & Equity** | **26,953** | **28,790** |

**Liabilities** - In 2019, AXA Bank clients continued to trust AXA Bank with their deposits (+400 million euro), while at the same time institutional investors (+1.2 billion euro) did the same through various bank products, generating a funding increase of 1.8 billion euro.

**Equity** – Equity is stable.

OFF BALANCE SHEET

| In Billion EUR | 2018 | 2019 |
|---|---|---|
| Intermediation derivatives | 88.37 | 63.13 |
| ALM portfolio hedges | 9.35 | 9.06 |
| Commercial hedges | 17.29 | 18.10 |
| Treasury derivatives | 3.52 | 2.28 |
| Total | 118.53 | 92.57 |

The off-balance sheet portfolio has decreased by 26 billion euro to 92.57 billion euro (2019 compared to 2018), mainly driven by the intermediation off-balance sheet, which dropped by 25 billion euro. This is driven by a continuation of the intermediation activity (+17 billion euro), however more than offset by a significant part of the derivative book, which has been ported to a third party as part of the preparation of the sale, by the group, of AXA Life Europe (-42 billion euro).

## CONSOLIDATION SCOPE

On 31 December 2019, 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 2019 amount to 52.6 million euro. Accumulated profits amounted to 50.0 million euro by the end of 2018. Consequently, accumulated profits, as at 31 December 2019, amount to 102.7 million euro.

The Board of Directors proposes, after allocation to the legal reserves, to carry forward the 2019 result to the next financial year.

# Significant events after 2019

***Covid-19***

Since March 2020 AXA Bank Belgium is, as all economic actors impacted by the pandemic Covid-19 in its day to day operational way of working. As part of its crisis management, the bank therefore took immediately the necessary measures from an organisational, processes, governance and health safety point of view to ensure full business continuity and, first and foremost, putting the health and safety of its employees and customers as its first priority. AXA Bank Belgium periodically tested business continuity procedures were implemented: the level of digitalization and our flexible way of working have contributed to an effective implementation and will certainly continue to play an important role going forward.

Given the situation at the end of 2019 (limited cases known, no evidence of human-to-human transmission at that date) there was no impact on our estimations or assumptions used to produce figures such as our expected credit losses or fair value measurements.

Regarding future expectations it is difficult to predict and quantify any impact for the following weeks and months. Despite a probable material impact on the local and world economy, it is hard, at this stage to evaluate the depth and duration of the crisis as national authorities are, everywhere, constantly gearing up the measures to limit the transmission and its impacts. Within AXA Bank Belgium the situation is closely monitored within the different usual Boards and Committees of the bank as well as through a dedicated crisis management governance. Such monitoring includes the follow up of our customer and market behaviour and economic parameters such as GDP (global domestic product) and employment rate, etc.. This will allow us to take the necessary measures to support not only the activity of the bank but also those of our customers. AXA Bank Belgium took note of the recent communication of the ECB and other instances to relax some of the solvency and liquidity requirements. We will therefore carefully review and follow up upcoming similar initiatives both from regulators and/or public authorities and act accordingly in regard of support to some of our credit clients who may encounter temporary liquidity issues due to this crisis. At this moment, AXA Bank concludes that the capital- and liquidity position is under control.

***Sale of AXA Bank Belgium***

On the 25th of October 2019 AXA SA and Crelan Co announced an agreement to sell AXA Bank Belgium to Crelan Co, as part of a strategic long-term partnership.

Several months will pass by between the signing of the agreement (signing) and the official transaction of shares (closing). The closing is expected to take place during the second half of the year 2020, after having received the approval of the regulators. It is at that moment that the modalities of the agreement enter into force and the migration can start.

During this period both banks will continue to operate independently from each other so that for the time being there will be no impact on the financial results of AXA Bank Belgium.

Crelan Co has the intention to finalize this transformation into a new common bank within a time period of 2.5 years..

***Brexit (UK exit from the European Union)***

In anticipation of the expected Brexit agreement, AXA Bank Belgium has begun reviewing their ISDA/CSA agreements to be potentially transferred to other entities within the European Union.

# Liquidity and solvency

AXA Bank Belgium's level of liquidity remained at a comfortable level throughout 2019. As per 31 December 2019, the liquidity coverage ratio (LCR) was at 198% (228% in 2018) and the net stable funding ratio (NSFR) was 133% (141% in 2018). 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 a 500m covered bond in the market in 2019, with a long (7Y) maturity. In addition, AXA also benefits from the ECB TLTRO programme for a total amount of 691 million euro.

AXA Bank Belgium's CET1 ratio comes to 16.4% in December 2019 (15.1% in 2018). The evolution of the ratio is mainly explained by the inclusion of the net income 2019, whereas no dividend was paid over the year. Risk weighted assets increased on ABB's retail activity, explained by the record production of loans in 2019. In parallel, ABB reduced its exposure to AXA Life Europe (Intermediation activity) since this entity is subject to a sale agreement by AXA SA.

The leverage ratio decreased to 4% from 4.2% in 2018. AXA Bank Belgium's leverage exposure factors in the yearly record production of mortgage loans as mentioned above and a high level of liquid assets.

# 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, etc.), affect the profitability of the bank, which is focused on the Belgium retail market: 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 as a fact, the extent to which the change will materialize, or the speed, remains uncertain. The increasing use of technologies and the digitization of banking also imply dedicated attention to **information security, cyber-risk and e-fraud.** In addition, banks are also facing **ESG (Environmental, Social and Governance) risk,** due to a.o. the negative consequences of climate change.

The **regulatory and tax environment** significantly impact AXA Bank Belgium's activities. Changes in regulations or tax regimes can be highly impactful, especially given AXA Bank Belgium's simple business model, thus a concentration on a limited number of activities. As an illustration, the following regulatory measures in particular have affected retail banks that transform deposits into mortgage loans: (a) the legal lower limit of 11bps on Belgian savings accounts (despite the negative interest rate environment on the short end of the yield curve), (b) the prudential measure of the NBB to increase the capital requirements for mortgage loans or (c) the decision of the Flemish government to remove the fiscal advantage for mortgage loans ('Woonbonus') potentially impact house prices and the demand for mortgage loans. Other examples of evolving regulations or standards are MREL-requirements (Minimum Requirement for own funds and Eligible Liabilities), Basel III finalisation, 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 and compliance risks**. To this end, AXA Bank Belgium rolls out a multi-disciplinary programme, combining training courses, certifications, controls, incentives or sanctions.

In October 2019, AXA and Crelan signed an intention to buy/sell contract. Conditional on approval of the regulator, AXA Bank Belgium will be acquired by Crelan Co. Closure of the deal is expected in 2Q20. It is clear that this likely acquisition will create extra uncertainties and execution risk, which will be carefully monitored and mitigated where needed/possible.

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) | | | ✓ | | ✓ |
| Patrick Keusters (independent director) | | Chairman | | ✓ | |
| Patrick Lemoine | | ✓ | ✓ | | |
| Marie-Cécile Plessix | | | | | |
| Benoît Claveranne | | | | ✓ | ✓ |
| Emmanuel Vercoustre | Vice Chairman | | | | |
| Peter Philippaerts | ✓ | | | | |
| Jeroen Ghysel | ✓ | | | | |
| Frank Goossens | ✓ | | | | |
| Pieter Desmedt (from 28 February 2019 ) | ✓ | | | | |

Auditors: PwC Bedrijfsrevisoren cvba / PwC Réviseurs d’Entreprises scrl, represented by Gregory Joos (accredited auditor)

AXA has the ambition to become the most inclusive company in the financial services industry worldwide. Therefore we are opposed to any form of discrimination.

## MODIFICATIONS OCCURRING IN 2019 AND SINCE THE 1ST OF JANUARY 2020

BOARD OF DIRECTORS:

- appointment of Pieter Desmedt, with effect from 28 February 2019

MANAGEMENT BOARD:

- appointment of Pieter Desmedt, with effect from 28 February 2019

AUDIT COMMITTEE:

- none

RISK COMMITTEE:

- none

NOMINATION COMMITTEE:

- none

REMUNERATION COMMITTEE:

- none

## 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. Its management is governed 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: Pieter Desmedt (from 28/2/2019)
- 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 required

# 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 2018, 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 1 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.

**PIETER DESMEDT** - has been appointed Chief Risk Officer as of 28 February 2019 after working three years in AXA Bank as Retail Credit Risk Manager. Pieter graduated from KULeuven in Mathematics where he also completed his PhD. He has gained many years of experience at KBC where he also started his career in the financial sector as Process advisor for Life insurances. Later on he became responsible for risk teams at KBC Group in various roles before being appointed Credit Risk Manager in 2012 at KBC Consumer Finance Belgium where he was in charge of the credit risk.

## COMPETENCE AND INDEPENDENCE OF THE AUDIT COMMITTEE AND THE RISK COMMITTEE

AXA Bank Belgium's Audit Committee is composed of Patrick Keusters, who chairs it, Philippe Rucheton and Patrick Lemoine. It is thus 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 and Patrick Lemoine, all 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 of the *École Polytechnique*, the *Institut Supérieur des Affaires* (Higher Business Institute) and of 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 specialized 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 took on 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 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.

The Remuneration Committee is made up of Jef Van In, Michael Jonker and Benoît Claveranne. The Remuneration Committee was held 3 times in 2019.

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 laid out in article 526 ter of the company code.

For the competences 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 was put in charge of AXA's life insurance business in Central & Eastern Europe. In July 2016, Jef Van In became CEO of AXA Belgium and at the beginning of 2017 he became president of the Board of Directors of AXA Bank Belgium. On the 29th of March 2019, Jef Van In was confirmed as member and President of the Nomination and Remuneration Committees.

Benoît Claveranne is a graduate of the Institut d'Etudes Politiques in Paris. 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 Asia 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 workings 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 apply to them in full.

### 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 make it possible:

- 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,
- 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 subject to additional criteria, the Board of Directors of AXA Bank Belgium has determined the scope of the Identified Staff as follows:

- **Category 1**: The members of the Board of Directors;
- **Category 2:** The members of 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, whose 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 is designed so as 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, 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 role based allowance. They are allocated transparently, in a non-discriminatory way, on the basis of objective parameters and are 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 role based allowance.

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 fulfilment) 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. Checks & Balances are key in this respect.

The budget 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 advice from the Remuneration Committee. In doing so, account is 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 that they validate or control.

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 'People In' performance document 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, which takes into account the results and risk/risk management objectives.

*Ratio fixed remuneration – variable remuneration*

The variable remuneration of each 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 behaviour 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 behaviour of the person where appropriate.

The Board of Directors, on the advice of 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;
- any incidents that 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 (lower limit 2019: 10.75%), liquidity (lower limit 2019: 100%) & leverage (lower limit 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** | Year N |
| **Upfront** | 60% |
| **Deferred** | 40% |
| **Spread over (years)** | 5 |
| **Cash** | 50% |
| **Conditional Cash** | 50% |

| | Year N | Year N+1 | Year N+2 | Year N+3 | Year N+4 | Year N+5 | Year N+6 |
|---|---|---|---|---|---|---|---|
| **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 acquired and paid 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 practices 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 from 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

The use of a reduction (malus) or reclaim (clawback) needs to be appropriate. In case of attribution of variable remuneration in the context of a change of control or structure (ex. merger), that is not based on performances, but on a condition of presence (ex. retention bonus), the use of a reduction (malus) or reclaim (clawback) based on the situation of reduced or negative financial return of AXA Bank Belgium or an operating unit is only considered appropriate if the Identified Staff has contributed in a significant way to the reduced or negative financial return.

In case of dismissal for misconduct (or for employees that have 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 behaviour.

For salaried members of staff, AXA Bank Belgium undertakes to respect the application of the legal provisions.

If an agreement relating to the granting of 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 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 within the meaning 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 any necessary adaptation proposals.

The Risk Committee, consisting of non-executive directors, at least one of whom is independent within the meaning 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 2019

### Total Remuneration of Identified Staff in 2019 (Excluding non-executive board members compensation)

The quantitative information set out below concerns the remuneration awarded for the year 2019 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** | **1 650 749 €** | **1 344 424 €** | **306 326 €** |
| Affluent & Distribution | **2** | **607 003 €** | **430 184 €** | **176 818 €** |
| Credits & Customer Care | **4** | **976 234 €** | **698 392 €** | **277 842 €** |
| Risk & Compliance | **6** | **1 009 066 €** | **853 361 €** | **155 706 €** |
| Retail & Transformation | **2** | **573 962 €** | **446 247 €** | **127 715 €** |
| Finance | **2** | **915 233 €** | **706 411 €** | **208 822 €** |
| Total | **21** | **5 732 247 €** | **4 479 019 €** | **1 253 227 €** |

*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 bonus | Severance payment | | |
|---|---|---|---|---|---|---|---|
| | | | | | Paid | Awarded | Highest awarded |
| Executive Board Members | Amount (euro) | **2 404 515 €** | **702 636 €** | **- €** | **- €** | **- €** | **- €** |
| | # people concerned | **6** | **6** | **0** | **0** | **0** | ***0*** |
| Higher management *(beyond executive directors)* | Amount (euro) | **1 234 912 €** | **365 307 €** | **- €** | **- €** | **- €** | **- €** |
| | # people concerned | **8** | **7** | **0** | **0** | **0** | ***0*** |
| Other Identified Staff | Amount (euro) | **839 592 €** | **185 284 €** | **- €** | **- €** | **- €** | **- €** |
| | # people concerned | **7** | **6** | **0** | **0** | **0** | ***0*** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total | Amount (euro) | **4 479 019 €** | **1 253 227 €** | **- €** | **- €** | **- €** | **- €** |
| | # people concerned | **21** | **19** | **0** | **0** | **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 | **371 318 €** | **N/A** | **N/A** | **331 318 €** | **399 275 €** | **655 974 €** | **306 819 €** | **107 930 €** | **- €** |
| Higher management *(beyond executive directors)* | **365 307 €** | **N/A** | **N/A** | **- €** | **96 295 €** | **199 339 €** | **- €** | **- €** | **- €** |
| Other identified staff | **185 284 €** | **N/A** | **N/A** | **N/A** | **83 694 €** | **162 450 €** | **- €** | **- €** | **- €** |
| Total | **921 909 €** | **- €** | **- €** | **331 318 €** | **579 264 €** | **1 017 763 €** | **306 819 €** | **107 930 €** | **- €** |

*Conditional Cash

*Number of MRT employees whose total remuneration for 2019 exceeded 1 million euros*

| Total compensation | Number of MRTs for the year 2019 |
|---|---|
| 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 boîte 12<br>1050 Brussels<br>Belgium | Investment company | No | Non-executive director | No |
| | | Orcadia Asset Management SA | 13, rue de l'Industrie, L - 8699 Windhof<br>GD Luxembourg | Investment company | No | Non-executive director | No |
| | | Stoll Security SA | Z.A.R.E. Ilot Ouest L 4384 Ehlerange<br>Luxembourg | Security | No | Non-executive director | No |
| **Philippe Rucheton** | Independent director and Chairman of the Risk Committee | Bernard Controls SA | 4, rue d'Arsonval<br>BP 76091 95505<br>Gonesse France | Electrical and mechanical | No | Non-executive director | No |
| | | Société générale SFH | 17 cours Valmy<br>92800 Puteaux<br>France | Housing financing company | No | Non-executive director | No |
| | | Société générale SCF | 17 cours Valmy<br>92800 Puteaux<br>France | Mortgage company | No | Non-executive director | No |

# Annex

# Annex: Corporate Responsibility

## 7.1 Introduction

This chapter describes AXA Group's Corporate Responsibility (CR) strategy. It includes an extra-financial performance statement that AXA publishes in accordance with the provisions of the EU Directive 2014/95 related to extra-financial reporting [(1)]) and French law [(2)]. This statement includes the AXA Group's business model and information on its main extra-financial risks related to environmental, social, human rights, tax evasion and corruption issues.

In-depth information on the AXA Group's Corporate Responsibility-related policies and practices is also available in the "Integrated Report", in the online "Group Human Capital 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, goods and assets over the long-term, by better understanding, selecting, quantifying and managing risks.

Operating at the intersection of the economy, finance and society as a whole, our businesses are vectors of innovation, wealth creation and sustainable growth. Indeed, the protection offered by insurance encourages innovation, risk-taking and borrowing, which contributes not only to growth but also to the stability of economic cycles. In this way, AXA contributes to preserving the global financial system through sound risk management and investment proposals with robust and stable returns. Moreover, the collectivization and mutualization of risks and the social protection offered by life insurance and micro insurance generate social cohesion. In doing so, AXA not only contributes to global economic growth, but also to social stability in line with its ambition of "Empowering people to live better". This approach is inherent to AXA business and guides its Corporate Responsibility strategy.

### AXA's Corporate Responsibility Strategy

Our Corporate Responsibility (CR) strategy is a key driver of employee engagement, customer trust and brand image. CR is also a risk/opportunity management concern: it enables AXA to reduce certain operational costs and risks, while providing market opportunities in emerging business segments or being factor of innovation by taking better account of social and environmental issues.

In 2019, our Corporate Responsibility strategy has been refocused around 3 priorities:

- Climate Change and the environment: AXA reduces its own carbon footprint and leverages its core business of insurance and investment to better address climate risks, both in the fight against the causes of global warming and in adaptation to its consequences (mitigation and resilience);
- Health risk and disease prevention: as a trusted partner of its clients, drawing on its risk management expertise, AXA keeps developing its health risk prevention efforts to achieve positive outcomes for public health, particularly regarding tobacco and the dual epidemics of obesity and diabetes;
- Social inequalities and inclusion: as an insurance company, AXA aims to provide protection and risk prevention to under-served populations in many countries where it operates, thereby contributing to global socio-economic development.

Our corporate responsibility is therefore now structured around these three thematic priorities, and in its implementation, AXA uses the various levers of action related to its expertise and business lines, as well as its

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[(1)] Directive 2014/95/EU of the European Parliament and of the Council of October, 22, 2014, amending Directive 2013/34/EU as regards disclosure of non-financial information and information relating to diversity by certain large companies and groups.

[(2)] Articles L.225-101-1, R.225-105 and R.225-105-1 of the French Commercial Code.

international footprint: investments, insurance, but also the responsible use of its data and its partnerships and philanthropic activities.

AXA is also committed to being a responsible employer, striving to keep employee engagement at the heart of its strategy and to create a workplace inspired by its values that fosters diversity and equal opportunity for all, promotes engagement, encourages professional development and supports employee well-being.

## AXA's CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS

In 2018, the Group developed a strategic thinking framework to identify its themes of commitment that take into account the 17 United Nations Sustainable Development Goals (SDGs). The complete framework is described in the website: sustainabledevelopment.un.org. AXA's approach consists of identifying the major potential causes of engagement based on the SDGs, supplemented by its in-house risk analysis expertise. These potential commitments are then examined using a business filter that enables AXA to invest its efforts on subjects where the Group can make a real impact through its activities. This process enabled us to select biodiversity loss as an extension of the Group's action against climate change: biodiversity loss is now being accelerated by global warming. In terms of Public Health, the dual epidemics of obesity and diabetes has also been identified as a priority issue for AXA.

In 2019, the Group refined the vision of its contribution to the SDGs, aligning its strategic objectives with the 8 SDGs on which the Group's initiatives have an impact, and validating these orientations by the Compensation and Governance Committee of the Board of Directors (see paragraph "Governance and Dialogue with Stakeholders").

AXA's Responsible Corporate strategy thus contributes directly to 8 following SDGs:

| | | |
|---|---|---|
| Climate and biodiversity | SDG n°13 – Climate Action | Section 7.3 "Climate change and biodiversity" of this Annual Report is largely dedicated to AXA's action against climate change, which meets the 3 targets of SDG n°13: Incorporate climate change measures into national policies (SDG 13.2), strategies and planning (see Section 7.3 "AXA's new Climate strategy", including a strong commitment to align with the 1.5 degree trajectory of the Paris Accord). Through the partnerships developed with C40 and UN Habitat, AXA also contributes, through its insurance business, to: 1/ strengthen, in all countries, resilience and adaptive capacities in the face of climate hazards and climate-related natural disasters (SDG 13.1), and 2/ improve education, awareness and individual and institutional capacities with regard to climate change adaptation, mitigation and early warning systems (SDG 13.3). |
| | SDG n°14 – Life below water | In 2019, AXA initiated the first actions as part of its new approach to better take biodiversity into account in these activities. The Ocean program developed by its subsidiary AXA XL contributes directly to targets 14.2 (manage and protect marine and coastal ecosystems on a sustainable basis) and 14.3 (minimize ocean acidification and combat its effects). By adhering to the UNPSI-Oceana global declaration, AXA also contributes to target 14.4 (effectively regulate fishing, put an end to overfishing and illegal fishing). The Biodiversity action plan will be revised during 2020 to refine AXA's contribution to this SDG. |
| | SDG n°15 – Life on land | The AXA-WWF report and the creation of the Climate and Biodiversity Impact Fund (described in Section 7.3 "Climate change and biodiversity") as well as the first actions developed within the framework of the WWF partnership initiate AXA's contribution to "mobilize financial resources from all sources and significantly increase them to preserve biodiversity and |

| | | |
|---|---|---|
| | | ecosystems" (SGD 15.a). The Biodiversity action plan will be revised during 2020 to refine AXA's contribution to this SDG. |
| | SDG n°7 – Affordable and clean energy | Our "green" investment target of €24 billion by 2023 as described in Section 7.3 "Climate change and biodiversity" contributes directly to the 7.2 target, which consists in significantly increasing the share of renewable energy in the global energy mix by 2030. |
| Health and disease prevention | SDG n°3 – Good health and well-being | AXA's initiatives to exclude the cigarette industry (described in Section 7.3 "Climate change and biodiversity") are in line with the objective of implementing the WHO Framework Convention on Tobacco Control. In addition, AXA's Health initiatives are strongly focused on the prevention of non-communicable diseases, with the "Beating Obesity and Diabete Initiative (BODI) and the Unicef partnership described in Section 7.4 "Inclusive Insurance", which aimed at struggling against the dual global epidemic of obesity and diabetes, affecting both mature and emerging countries (SDG 3.4). AXA also contributes to the prevention of road accidents (SDG 3.6). |
| Social inequalities and inclusion | SDG n°1 – No poverty | AXA Hearts in Action volunteers provide assistance to people living in extreme poverty and help eradicate the phenomenon, notably through the financial education program (SDG 1.1 and 1.2). In addition, the AXA-Care partnership contributes directly to building the resilience of poor people and reducing their exposure to extreme weather events (SDG 1.5). These actions are described in Section 7.4 "Inclusive Insurance". |
| | SDG n°5 – Gender equality | For many years now, AXA has been pursuing a proactive diversity and inclusion policy (described in Section 7.2 "Social Information"): ending discrimination against women and girls (SDG 5.1), guaranteeing the equal participation of women in management positions (SDG 5.5). The program "Women in insurance" developed in Section 7.4 "Inclusive Insurance" constitutes the "business" component of the program, providing women with adapted and inclusive financial protection solutions. |
| | SDG n°10 – Reduced Inequalities | Program Initiatives towards women and emerging customers (described in Section 7.4 "Inclusive Insurance") are also part of SDG 10.2, helping to empower all people and promote their social, economic and political integration, regardless of age, gender, disability, race, ethnicity, origin, religion or economic or other status. |

## CORPORATE RESPONSIBILITY GOVERNANCE & STAKEHOLDER DIALOGUE

AXA has established a solid governance framework to develop and implement its Corporate Responsibility (CR) strategy. Each year, the Compensation and Governance Committee of the Board of Directors reviews the CR strategy, which is also submitted to the Group Executive Committee, at least once a year, for major decision-making. At the local entity level, a network of Corporate Responsibility Directors is in charge of implementing the CR strategy and promoting best practices. This network is supported by local CR teams.

AXA also relies on its Stakeholder Advisory Committee to better assess issues of future interest. In 2014, AXA created this committee to push forward the Group's role in building a stronger, safer and more sustainable society. Twice a year, it brings together external and influential figures, who are collectively representative of civil society, as well as AXA's Management Committee and members of the Board of Directors.

This group acts as an informal forum for in-depth discussions on the major trends that are shaping the world by addressing "business" and "sustainable" issues. For example, the topics discussed in 2019 included: social inequalities and inclusion, AXA's contribution to the SDGs as well as Group's responsible investment strategy, Climate policy, and AXA XL's Ocean program...

In addition, the November 2019 session was largely devoted to the integration of social and environmental issues into the new AXA 2021-2023 Group Strategic Plan. Committee members are encouraged to provide long-term views on AXA's activities and to question its strategy from a social and environmental perspective. These discussions help AXA to maximize its positive impact on its customers and the communities in which the Group operates.

More detailed information on the Stakeholder Advisory Committee is available hereafter: www.axa.com/en/about-us/stakeholder-advisory-panel.

It should also be noted that AXA's responsible business strategy and initiatives are presented at least once a year to the company's social authorities (social partners). Dialogue with NGOs is also regular through meetings or responding to their requests (replies to questionnaires, for instance).

## SUSTAINABILITY RISK ASSESSMENT

In accordance with the requirements of Directive 2014/95/EU related to extra-financial reporting, AXA has conducted an internal risk assessment to identify its main "sustainability risks".

### *Applied methodology to map sustainability risks*

The approach implemented is based on collaborative work by Group Risk Management and Corporate Responsibility teams, which consisted in identifying risk factors for each area related to corporate responsibility: social impact, respect for human rights, environmental impact, societal impact and to business behavior. These risks have been revised and assessed by experts according to their frequency and potential impact (financial, human, reputation, operational, environmental). The rating scale from 1 ("Low") to 3 ("High") is the same as for the Group operational risks mapping.

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" of this Annual Report) 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"). In order to incorporate external analysis, the most significant risks were also compared to the Dow Jones Sustainability Index' assessment.

In order to update non-financial risk assessment carried out in 2018, results were reviewed by the Group departments initially involved: Group Corporate Responsibility, Group Risk Management, Group Human Resources, Group Emerging Customers, Group Compliance, Group Procurement, Group Public Affairs, Group Investor Relations, Group Tax, and Group Legal. In addition, following the acquisition of the XL Group in September 2018, CR and Risk teams of XL Group have been included in this review. From this year update, the following emerged:

- the consideration of UN sustainable development objectives no longer as a risk but as a framework for strategic thinking developed in the paragraph "AXA's contribution to UN sustainable development objectives";
- the split of environmental risk into two distinct risks related to climate change: both AXA's impact on climate change and the impact of climate change on the business;
- the consideration of biodiversity as an emerging risk despite a stable rating compared to 2018.

This approach led to identify main non-financial risks and corresponding mitigation policies been implemented with key performance indicators.

The non-financial risk mapping have been approved by Group Operational Risks Committee (OPARCC).

### *2019 update results for main non-financial risks*

Based on this methodology, and in application of article L225-105-102-1 of the French Commercial Code related to extra-financial reporting, the following main risks have been identified:

- **social risks:** responsible employment practices, social dialogue and working conditions, employee development, talent attraction and retention. See Sections 7.2 “Social Information” and 7.4 “Inclusive Insurance” for further information;
- **Human Rights risks-related:** “inclusive” insurance solutions, customer data protection, and preventing human rights violations within our supply chain. More information on these risks can be found in Sections 7.4 “Inclusive Insurance”, 7.5 “Business behavior” and 7.6 “Vigilance Plan”;
- **environmental risks:** climate change related issues (both AXA’s impact on climate change and the impact of climate change on AXA’s business) are developed in Section 7.3 “Climate change and biodiversity”;
- risks related to fight against corruption and tax evasion: see Section 7.5 “Business conduct” and 7.6 “Vigilance Plan”;

Other issues have also been identified:

- **fair business practices-related issues:** include ensuring our suppliers and contractors meet CR requirements;;
- **societal risks issues:** include partnerships and philanthropy and stakeholder engagement practices. See paragraph “Governance and Stakeholder Dialogue” and Section 7.4 “Inclusive Insurance” for more information.
- **customer protection**: in particular, the right of equality before the law and non-discrimination through underwriting process and product offer, as described in Section 7.4 “Inclusive Insurance”;
- **biodiversity** : AXA has chosen to develop an ambitious biodiversity strategy. Indeed, as explained in Section 7.3, despite suffering from a relatively low attention by investors today, biodiversity-related risks may become a significant area within sustainable finance going forward.

## AXA Tianping, our new P&C insurance entity in the Chinese market

AXA Tianping became a fully owned AXA company on December, 13,2019. However, its commitment to Corporate Responsibility is already deeply rooted, through actions taken around poverty alleviation, health, and the environment. AXA Tianping is an active participant in Insurance Day, a Chinese government initiative to consolidate and amplify insurance company’s charitable actions at the national level. Each one of our 23 branches spread across the country participate in community led projects in the form of charitable giving for poverty alleviation (such as the donation of 100,000 RMB to finance a "foster home" for blind children awaiting care and adoption), community actions (including prevention through safe driving), and environmental actions (such as the planting of 34,484 trees in central China (Shanxi province) in 2019).

In 2019, AXA Tianping had been included in the social reporting for headcount and payroll indicators only and excluded from environmental and societal reportings.

## 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 in Chapter 1 “The AXA Group” of this Annual Report.

## REPORTING CERTIFICATION

PricewaterhouseCoopers Audit, one of AXA SA's Statutory Auditors, appointed as an independent third-party, presents in its report, featured in Section 7.7, a reasoned opinion on the compliance of the extra-financial performance statement with the provisions of French regulations (Article R225-105 of the French Commercial Code) and on the sincerity of the information provided.

## REPORTING METHODOLOGY

An assessment of the social, environmental, societal, business behavior 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. Definition of key performance indicators are still in progress for issues related to : corruption, responsible procurement, Human rights and consumer protection.

### *Perimeter*

For perimeters defined below, indicators are fully consolidated, unless otherwise indicated.

#### Scope of social indicators

The social data provided in Section 7.2 "Social Information" are collected from 256 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 December 31, 2019, in other words, subsidiaries in which AXA holds, directly or indirectly, management control).

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. 256 active legal entities reported their 2019 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 2019 scope. In particular, AXA Tianping has been included in the social reporting for headcount and payroll indicators only.

#### Scope of environmental indicators

The environmental data provided in Section 7.3 "Climate change and biodiversity - Own operations" are collected from 98 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 December 31, 2019). AXA sites with fewer than 50 FTEs are not included in the data collection, but are part of an extrapolation process. In 2019, environmental indicators were collected for 101,354 FTEs working on AXA sites (unless otherwise indicated) and were then extrapolated, continent by continent, to cover all 121,337 salaried FTEs (all types of contracts) working at AXA Group in average in 2019.

Section 7.3 also describes the manner in which AXA strives to integrate environmental issues into its business, as an insurer and an investor. The perimeter of AXA's responsible investment strategy (which includes climate finance) covers AXA's own assets, while our climate-related insurance activities cover essentially our P&C Commercial lines business.

In particular, AXA Tianping has not been included in the environmental reporting process. This entity is nonetheless gradually being integrated into AXA's policies and processes.

#### Scope of societal indicators

Our Community Investment Survey, as described in Section 7.4 "Inclusive Insurance", covers 84% of AXA's FTEs. AXA Tianping has not been included in this year scope for societal indicators.

## *Period*

The indicators cover the period from January 1 to December 31, 2019, unless mentioned otherwise. 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 Group's defined methodology.

## *Data collection*

The social data provided in Section 7.2 "Social Information" 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.

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 2019, environmental data was collected for 84% of our total FTEs, and the remaining 16% was extrapolated. Please refer to Section 7.3 "Climate change and biodiversity - 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 are handled by various teams including Group Investment, Group Corporate Responsibility, Group Risk Management and Group Insurance Office.

Regarding societal data, please refer to Section 7.4 "Inclusive Insurance – Corporate philanthropy and engagement". 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, 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 as the required annual update of emission factors;
- 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.

## *Business behavior: methodology and reporting scope*

Over the year 2019, 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 Sections 7.5 "Business Behavior" and 7.6 "Vigilance Plan". In line with 2014/95/UE Directive requirements relative to extra-financial reporting, the Group has been working towards the development of Key Performance Indicators for these specific topics as part of its 2019 non-financial disclosure.

## *Use of international benchmark*

In order to develop its Corporate Responsibility strategy and report on its extra-financial performance, AXA voluntarily complies with certain international benchmarks, as described in this chapter. These include, for example, the United Nations SDGs (as developed above) and the Greenhouse Gas Protocol (ghgprotocol.org) for the calculation of $CO_2$ emissions. Other benchmarks are highlighted in the relevant sections, where appropriate.

## 7.2 Social information

### FOREWORD

AXA is constantly working on being 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, such as in medical research, will extend life expectations leading to a later retirement.

Given such a mutating context and in accordance with the non-financial reporting Directive 2014/95/EU, the AXA Group has identified three main potential social challenges looking forward:

- not maintaining sustainable and responsible employer practices everywhere through an ambitious employer value proposition, including work conditions, and continuous dialogue with our people;
- 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.

For further details on the sustainable risk assessment, please refer to Section 7.1.

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 the purpose ("we want to empower people to live a better life") and reveal the potential of its employees, AXA is committed to creating a workplace built on the values of the company, 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 for continuous learning and professional development;

recognizes merit and people contribution to inspire others to follow the example;

promotes a culture where people are encouraged to share feedbacks to collectively improve the way of operating together;

promotes the balance between work and life and safeguards physical and mental health of people at work.

To confirm the relevance of the employer's proposition and its adequate global execution, the Group has 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, 2019, was 120,869 employees (open-ended and fixed-term contracts), which represents a decrease of more than 4% compared to 2018. This decrease is mainly due to (i) the IPO on US operations and their branches, representing some 7,800 employees, (ii) the finalization of the acquisition of the AXA Tianping entity, representing some 3,000 employees, and (iii) the decrease of AXA's workforce split between the different markets and transversal operations.

### HIGHLIGHT & KEY FIGURES: gender and business distributions (*)

| | Non-sales | Sales | Total |
|---|---|---|---|
| Women | 53,428 | 8,230 | 61,658 |
| Men | 45,455 | 7,957 | 53,412 |
| **Total** | **98,883** | **16,187** | **115,070** |
| ***Women proportion*** | ***54%*** | ***51%*** | ***54%*** |

*(*) open-ended contract headcount only.*

In terms of geographies, the footprint of AXA's salaried workforce in 2019 was: 58% in Europe (+1.4 points compared to 2018), 26% in Asia-Pacific and Middle-East (+3.5 points compared to 2018), 10% in the Americas (-5.2 points compared to 2018) and 6% in Africa (+0.4 point compared to 2018).

### HIGHLIGHT & KEY FIGURES: geographical footprint distributions (*)

| Continents | Headcount | Distribution |
|---|---|---|
| Europe | 69,989 | *58.0%* |
| Asia-Pacific | 31,267 | *26.0%* |
| Americas | 12,460 | *10.0%* |
| Africa | 7,153 | *6.0%* |
| **Total** | **120,869** | |

*(*) open-ended and fixed-term contract headcount.*

AXA continued to recruit in 2019 and hired more than 15,000 employees on open-ended contracts (excluding entries due to mergers and acquisitions), of which more than 3,600 were sales employees.

For further details on the above figures and a comparison between 2018 and 2019, please refer to the tables at the end of Section 7.2.

## 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 a United Nation Global Compact signatory and is committed to uphold the right to freedom of association and collective bargaining. AXA is also an Organization for Economic Cooperation and Development Global Deal signatory aiming at fighting against inequalities, sustaining social dialogue and promoting a more regulated and sustainable globalization. Besides, 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 and/or their representatives for communications on a regular basis. AXA has also set up a European Works Council (EWC), which extensive role goes beyond regulatory requirements.

Following a first labor agreement, which was signed in 1996, AXA signed a new EWC agreement in June 2009 (refer to “Social Dialogue and Mobility” on www.axa.com). It was concluded to guarantee a high level of social dialogue and that cover 53% of AXA'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 10 members of the EWC, to stay abreast of labor and economic developments in each country.

In 2011, AXA, UNI Europe Finance and all French trade unions signed a major European agreement on anticipating change. The agreement, negotiated within the EWC, sets out an approach for social dialogue, with the purpose of anticipating change in the sector, in order to adapt employee skills to future needs and thus preserve jobs.

Most 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 Head and local Heads of Social Relations.

## *Engaging people and building a feedback culture*

AXA is committed to build an environment where the voices of employees are heard, and actions are taken to ensure they remain engaged. AXA uses the short and focused Pulse survey approach to measure its culture and quickly identify areas of improvement.

The frequency has steadily increased from one Pulse survey in 2017 to two in 2018 and three in 2019. AXA, globally measures employee engagement using Employee Net Promoter Score (eNPS). In 2017, this score was -5, in 2018, it was +7, against a balanced target of 0. The Group had a target of reaching 14 by December 2019 which was surpassed by 7 points standing at an eNPS of 21.

AXA also conducts ‘ad hoc’ Pulse surveys on topics that are relevant at specific moments, such as the work conditions or the strategy of the Group. It has allowed AXA to implement a ‘fast feedback’ culture.

For further information on the eNPS and to know more about the eNPS calculation methodology, please refer to the "A new method to collect feedback and measure employee engagement" on www.axa.com.

## *Responsible work conditions respecting work-life balance*

AXA is committed to helping employees to live a better life, including well-being and work-live balance.

Offering an inspiring and inclusive work environment is a significant part in AXA's overall employee value proposition. As a responsible employer making sure that everyone feels valued and empowered to contribute to the Group's success, AXA has also 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 work-life balance.

In 2019, a new indicator is introduced to track the number of employees being contractually allowed to teleworking globally. This indicator aims at reflecting the transformation of our work environment. 32% of AXA salaried employees under open-ended contracts do teleworking. In Europe where the teleworking practices are well formalized and followed, more than 41% of AXA's non-sales salaried workforce do telework. Globally at AXA, the percentages of teleworkers split as follow:

| | Non-sales force | Sales force | Total |
|---|---|---|---|
| Headcount of teleworkers | 35,455 | 1,274 | 36,729 |
| Salaried workforce | 98,883 | 16,187 | 115,070 |
| ***Percentage of teleworkers*** | 36% | 8% | 32% |

Also, in terms of work-life balance, AXA is supporting working parents globally. In January 2017, AXA launched a Global Parent Policy which applies to all composition of family and gives all employees across all AXA countries in which AXA operates the same right and opportunities when expanding their family: a minimum of 16 weeks fully paid maternity/primary parent leave and 4 weeks paternity/co-parent leave respectively.

## *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, Standards are implemented across AXA on the three above topics, enabling to create a consistent approach for physical security – health, safety and crisis management - in all entities, based on the locally identified risks. The framework focuses on the operational procedures to mitigate risks for personnel during working hours, when travelling for business, or during an expatriation. It also enables to limit the impact of incidents and crises, when they occur. Those Standards are applicable in the whole AXA Group and CEOs of entities are accountable for applying them.

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 with 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. New objectives have been set until 2021 to continuously improve maturity in term of quantity and quality. The management of physical security is reflected through the global absenteeism rate of less than 5% in 2019 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 AXA is aiming for this to be used by each AXA entity for all their employees.

This process is tightly linked to AXA's Remuneration Policy that aims to support the Group's long-term business strategy and to align the interests of its employees and other stakeholders.

AXA Group applies a "pay-for-performance" approach with the intention to attract and retain the best skills and talents, to foster employee engagement and to strengthen AXA's leadership, whilst ensuring employees are not incentivized in taking inappropriate and/or excessive risks as well as compliancy with regulations. 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 new critical talents with a strong capability to deliver to ensure AXA's strategy success;

- Resourcing, where qualified professionals are proactive enablers of the decision making in the business and of the candidate journey. In 2019, a standard resourcing process has been implemented with the possibility to adjust to local requirements. In addition, a global application tracking system has been rolled-out to improve time, cost and quality of hire and create a global pool of candidates;
- Manage the performance of our employees and grow their potential to address business requirements and support internal mobility, 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;
- Leadership management, to ensure current and future leaders, as well as supporting employees with potential for future growth to get the continuous support they need to lead and transform our business and culture.

## *An ambitious and global learning and development offer*

AXA's learning and development function is dedicated to the progressive transformation of AXA into an adaptive and self-learning organization. The vision of the Group is to help people to continuously learn at any time of their workday, individually and collectively, and to foster new ways of learning: to learn continuously in order to thrive in a constantly changing environment. This ambition is supported by a dedicated digital ecosystem easily accessible on any device.

In 2019, more than 362,000 days (compared to 327,000 days in 2018 and 330,000 in 2017) have been delivered corresponding to 3.2 learning days on average by employee, compared to 2.7 days in 2018 and 3.1 days in 2017.

- 860 courses on critical areas have been offered to AXA employees through the partnership (dated 2017) with Coursera (+310 compared to 2018), including university certificates recognized on the job market. In 2019, over 8,700 employees (+12% compared to the 7,800 end of 2018) have started a course. In 2019, 25,000 courses were started, *i.e.* more than 100,000 training hours (+15,000 hours compared to 2018);
- To help more employees to stay experts in their fields, one of the core issues of digital learning, the language of the content available, is currently being addressed through the deployment of the LinkedIn Learning platform, offering content in 7 major languages;
- To support AXA's employees to understand the changing consumer behaviors, a global learning competition, AXA Learning Week, was launched to bring a common understanding of evolving customer needs and expectations. It was built on the succession of the AXA Learning Games, introduces in 2018. Overall, more than 8,030 employees worldwide actively took part and learned about critical topics in constantly evolving customer-centric behaviors;
- AXA seeks to empower its managers and top leaders to drive its ambition to become a future-proof, self-learning organization by giving them the opportunity to develop their leadership, integrity and collaboration skills. To facilitate that, the AXA Leadership Academy was kicked off for the Global Leadership Network. It serves to guide the Group leaders collectively as they lead AXA's transformation, and is destined to accelerate the AXA Group repositioning as a Partner to millions of clients. In 2020, the AXA Leadership Academy will focus on:

  Leadership and AXA's cultural transformation through the AXA values and commitments,

  Leading Tech & Data roadmaps;
- Lastly, 574 digital modules on Leadership, Management, and Personal excellence topics were offered in 2019 to employees, over 40,000 short courses were launched (compared to 48,000 in 2018) and over 28,000 were completed (compared to 30,000 in 2018).

### *AXA’s people, empowered to manage their career*

AXA established Group-wide mobility policies and processes which allow people to move within the Group and thereby help AXA better source the right people for its business needs.

International mobility, led by the International Mobility Solutions (IMS) team and governed by a consistent International Mobility framework is one of the key facilitators for organization transformation. AXA targets to enhance further culture of trust and achievement through direct exposure to new environments.

In 2019, the overall volume of employees supported by IMS regarding their international moves remained stable (794 employees supported compared to 785 in 2018). Although the number of new assignees increased by 25%. We continue to observe a change in the range of assignments and transfer types. Traditionally, long-term assignments were popular. In 2019, the portion of this population among active assignees decreased to 35% (compared to 44% in 2018 and 50% in 2017). Notwithstanding, a trend on the rise is Cross-border commuting assignments as well as permanently transferred employees. Besides, short-term assignments were actively selected to boost the development of AXA’s employees (representing 12% of international assignments in 2019).

## 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 all employees. AXA’s workforce should reflect the diversity of the markets in which AXA operates, and the middle and top management play a central role in reaching those objectives. Indeed, 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 recognized as 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.

At the end of 2019, women made up over 54% of AXA’s sales and non-sales workforce and held 31% (+2 points compared to 2018) of all Executives sales and non-sales positions. Since 2009, AXA has been tracking representation of women among its Top Senior Executives’ population.
The priority to reach gender parity by 2023 among Top Senior Executives’ population has always been reaffirmed since March 2018 and AXA has 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 300 Top Senior Executives (the Global Leadership Network - GLN). Management Committee and Partners members were involved in a sponsorship initiative launched until December 2019 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 (GSTP) was designed to develop female talent across the Group. In 2019, we ran the 5th wave of this program, involving 16 talented women, each one being sponsored by a Group Management Committee or Partners Group member. Among the participants to the five successive waves of the GSTP, 35% have a GLN position,

launched in 2017, the “Global Executive Development” (GEDP) program was a 2-year program built for executives, women and men, who have the potential to grow into key global leadership positions. 55% (40% of women) of GEDP participants are now holding a GLN role;

- strengthen gender balanced talent pipelines and succession plans: AXA entities have been requested to set up local targets of female representation at local Executive Committee level (some 300 people) and executive level (more than 3,000 people);
- design the innovative AXELERATE 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 roll-out of this solution was finalized 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.

At the end of 2019, 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 | |
|---|---|---|---|---|---|---|
| | ***2019*** | ***2018*** | ***2019*** | ***2018*** | ***2019*** | ***2018*** |
| Women | **15%** | **9%** | **23%** | **17%** | **32%** | **32%** |
| Men | 85% | 91% | 77% | 83% | 68% | 68% |
| ***Total*** | ***13*** | ***11*** | ***47*** | ***36*** | ***263*** | ***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 GLN was launched in 2019, replacing the network of GSEs (Global Senior Executives). The GLN is role and organization-based. The network is made up of CEO and Executive Committees of AXA’s largest markets, growth engines and major transversal entities, as well as senior leaders from the corporate functions, markets and some country CEOs. This structure has been built to leverage the group of Top Senior Executives who are critical to drive AXA’s transformation over the coming years.

For more information on AXA's D&I policy in top management, please refer to the “Reaching gender balance across the organization” page on www.axa.com.

## *AXA, globally committed with civil society about diversity and inclusion*

As a responsible company, AXA wants to support civil society and Non-Governmental Organizations. By partnering with associations and external organizations, the Group contributes to a better society and learns from others to educate and to improve the inclusion initiatives that are put in place within the company.

In March 2019, as a result of AXA employees' engagement to the #HeForShe campaign launched on International Women's Day, AXA donated €20,000 to Plan International, to support girls' education through programs run in Cameron and in Togo. In 2019, AXA partnered with LGBT+ organizations to raise awareness across the Group and extend out 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 process in embedding LGBT+ as a business priority, with inclusive policies supporting same-sex couples named as beneficiaries.

On December 3, 2019, AXA shared its commitment to the Valuable 500, a global movement putting disability inclusion on the business leadership agenda, illustrated by the release of an international booklet dedicated to disability inclusion and an exhibition of 16 portraits of disabled employees on the International Day of People with disabilities, as a part of a de-stigmatization campaign.

Finally, for the 7th time, in 2019, 120 people, mainly senior executives, gathered to learn more about LGBT+ inclusion through the theme "All out for Inclusion" to demonstrate that diversity and inclusion remain priorities at AXA.

## *Group Social Indicators*

### Workforce [(a)]

| Headcount (number of persons) as of December 31 | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Total headcount of salaried workforce (open-ended and fixed-term contract)*** | **120,869** | **emp.** | **-4.0%** | **125,934** | **emp.** | **116,514** | **emp.** |
| ***Headcount of salaried workforce with open-ended contract*** | **115,070** | **emp.** | **-3.9%** | **119,780** | **emp.** | **111,588** | **emp.** |
| ▸ Proportion of men | 46.4 | % | | 46.6 | % | 46.6 | % |
| ▸ Proportion of women | 53.6 | % | | 53.4 | % | 53.4 | % |
| ***Headcount of salaried non-sales force*** | **98,883** | **emp.** | **-3.9%** | **102,843** | **emp.** | **95,447** | **emp.** |
| All Executives | 3,172 | emp. | | 3,583 | emp. | 3,255 | emp. |
| ▸ Proportion of men | 69.0 | % | | 71.0 | % | 70.6 | % |
| ▸ Proportion of women | 31.0 | % | +2.0pts | 29.0 | % | 29.4 | % |
| All Professionals | 46,611 | emp. | | 48,504 | emp. | 14,828 | emp. |
| ▸ Proportion of men | 53.9 | % | | 54.9 | % | 57.4 | % |
| ▸ Proportion of women | 46.1 | % | +1.0pt | 45.1 | % | 42.6 | % |
| Associates | 49,100 | emp. | | 50,756 | emp. | 77,364 | emp. |
| ▸ Proportion of men | 37.0 | % | | 36.0 | % | 42.7 | % |
| ▸ Proportion of women | 63.0 | % | | 64.0 | % | 57.3 | % |
| ***Headcount of salaried sales force*** | **16,187** | **emp.** | **-4.4%** | **16,937** | **emp.** | **16,141** | **emp.** |
| ▸ Proportion of men | 49.2 | % | | 49.4 | % | 50.8 | % |
| ▸ Proportion of women | 50.8 | % | +0.2pt | 50.6 | % | 49.2 | % |
| ***Headcount of salaried workforce with fixed-term contract*** | **5,799** | **emp.** | | **6,154** | **emp.** | **4,926** | **emp.** |
| ▸ Non-sales force | 4,321 | emp. | | 4,752 | emp. | 4,282 | emp. |
| ▸ Sales force | 1,478 | emp. | | 1,402 | emp. | 644 | emp. |

| Full-Time Equivalents (headcount converted into full-time equivalents) | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Average FTE of salaried workforce*** | **110,701.9** | **fte** | **-4.4%** | **115,768.5** | **fte** | **106,928.6** | **fte** |
| *Average FTE of salaried non-sales force* | 94,558.6 | fte | | 99,134.4 | fte | 91,109.7 | fte |
| ▸ All Executives | 3,133.2 | fte | | 3,657.6 | fte | 3,203.2 | fte |
| ▸ All Professionals | 44,744.6 | fte | | 46,263.1 | fte | 14,804.2 | fte |
| ▸ Associates | 46,680.7 | fte | | 49,213.7 | fte | 73,102.3 | fte |
| *Average FTE of salaried sales force* | 16,143.3 | fte | | 16,634.1 | fte | 15,818.9 | fte |
| ***Average FTE of temporary non-salaried staff*** | **10,634.8** | **fte** | | **8,586.9** | **fte** | **8,399.9** | **fte** |
| ▸ Non salaried temporary staff and contingent workers | 7,594.0 | fte | | 5,768.1 | fte | 5,784.9 | fte |
| ▸ Trainees/Apprentices | 3,040.8 | fte | | 2,818.8 | fte | 2,615.0 | fte |

| Profile of employees | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Average age of salaried workforce*** | **40.5** | **yrs** | **- 0.7%** | **40.8** | **yrs** | **40.9** | **yrs** |
| ▸ Non-sales force | 40.4 | yrs | | 40.7 | yrs | 40.8 | yrs |
| ▸ Sales force | 41.2 | yrs | | 41.4 | yrs | 41.4 | yrs |
| ***Average length of service of salaried workforce*** | **10.3** | **yrs** | | **10.4** | **yrs** | **10.8** | **yrs** |
| ▸ Non-sales force | 10.6 | yrs | | 10.7 | yrs | 11.3 | yrs |
| ▸ Sales force | 8.1 | yrs | | 8.2 | yrs | 8.3 | yrs |
| ***Disability (open-ended and fixed-term contract)*** | | | | | | | |
| Number of employees with disabilities - concerns entities operating in France only | 760 | emp. | | 743 | emp. | 770 | emp. |

*(a) Salaried workforce refers to non-sales and sales force employees with open-ended contracts, unless stated otherwise.*

## Workforce Dynamics (1)

| Movements | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Movements of salaried workforce*** | | | | | | | |
| Net headcount evolution (entries *versus* departures) | -8,369 | emp. | | 707 | emp. | -2,176 | emp. |
| ▶ Entries | 17,199 | emp. | -11.9% | 19,533 | emp. | 16,766 | emp. |
| ▶ Departures | 25,568 | emp. | +35.8% | 18,826 | emp. | 18,942 | emp. |
| ***Movements of salaried non-sales force*** | | | | | | | |
| Net headcount evolution (entries *versus* departures) | -6,891 | emp. | | 234 | emp. | -1,729 | emp. |
| Entries | 13,538 | emp. | -10.7% | 15,165 | emp. | 13,302 | emp. |
| ▶ Number of external recruitments (including re-hires) | 11,603 | emp. | | 13,218 | emp. | 11,467 | emp. |
| ▶ Number of fixed-term contracts transformed into open-ended contracts | 1,882 | emp. | | 1,915 | emp. | 1,637 | emp. |
| ▶ Number of entries following mergers and acquisitions | 53 | emp. | | 32 | emp. | 198 | emp. |
| Departures | 20,429 | emp. | +36.8% | 14,931 | emp. | 15,031 | emp. |
| ▶ Number of resignations | 8,418 | emp. | | 9,460 | emp. | 8,332 | emp. |
| ▶ Number of economic/collective layoffs | 1,213 | emp. | | 1,352 | emp. | 1,894 | emp. |
| ▶ Number of individual layoffs | 1,735 | emp. | | 2,028 | emp. | 1,847 | emp. |
| ▶ Number of retirements/pre-retirements | 1,244 | emp. | | 1,769 | emp. | 1,538 | emp. |
| ▶ Number of departures due to external transfers (b) | 7,636 | emp. | | 129 | emp. | 1,252 | emp. |
| ▶ Number of other departures | 183 | emp. | | 193 | emp. | 168 | emp. |
| ***Movements of salaried sales force*** | | | | | | | |
| Net headcount evolution (entries *versus* departures) | -1,478 | emp. | | 473 | emp. | -447 | emp. |
| Entries | 3,661 | emp. | -16.2% | 4,368 | emp. | 3,464 | emp. |
| ▶ Number of external recruitments (including re-hires) | 3,567 | emp. | | 4,265 | emp. | 3,336 | emp. |
| ▶ Number of fixed-term contracts transformed into open-ended contracts | 86 | emp. | | 98 | emp. | 94 | emp. |
| ▶ Number of entries following mergers and acquisitions | 8 | emp. | | 5 | emp. | 34 | emp. |
| Departures | 5,139 | emp. | +31.9% | 3,895 | emp. | 3,911 | emp. |
| ▶ Number of resignations | 3,103 | emp. | | 2,913 | emp. | 2,752 | emp. |
| ▶ Number of economic/collective layoffs | 117 | emp. | | 122 | emp. | 82 | emp. |
| ▶ Number of individual layoffs | 410 | emp. | | 500 | emp. | 490 | emp. |
| ▶ Number of retirements/pre-retirements | 254 | emp. | | 264 | emp. | 240 | emp. |
| ▶ Number of departures due to external transfers (b) | 1224 | emp. | | 77 | emp. | 321 | emp. |
| ▶ Number of other departures | 31 | emp. | | 19 | emp. | 26 | emp. |
| ***Movements of salaried workforce with fixed-term contract*** | | | | | | | |
| Net headcount evolution of salaried non-sales force (entries *versus* departures) | 1,028 | emp. | | 2,212 | emp. | 1,828 | emp. |
| ▶ Number of external recruitments | 4,842 | emp. | | 5,531 | emp. | 5,337 | emp. |
| ▶ Number of fixed-term contracts ended | 3,814 | emp. | | 3,319 | emp. | 3,509 | emp. |
| Net headcount evolution of salaried sales force (entries *versus* departures) | 597 | emp. | | 376 | emp. | 172 | emp. |
| ▶ Number of external recruitments | 926 | emp. | | 585 | emp. | 335 | emp. |
| ▶ Number of fixed-term contracts ended | 329 | emp. | | 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.*

| Mobility | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Internal mobility rate of salaried workforce*** | **8.2** | **%** | **-0.7pt** | **8.9** | **%** | **10.5** | **%** |
| ▶ Non-sales force | 8.9 | % | | 9.6 | % | 11.3 | % |

(1) AXA Tianping (2,988 salaried employees with open-ended contract), AXA Next (38 salaried employees with open-ended contract) and Kamet (352 salaried employees with open-ended contract) businesses did not report the movement indicators.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ▸ Sales force | 4.2 | % | | 5.0 | % | 6.1 | % |

| **Employee turnover** | **2019** | | **Evolution** | **2018** | | **2017** | |
|---|---|---|---|---|---|---|---|
| ***Turnover rate of salaried workforce*** | **15.0** | **%** | **-0.6pt** | **15.6** | **%** | **15.4** | **%** |
| ▸ Involuntary (layoffs/dismissals) | 3.1 | % | | 3.6 | % | 3.8 | % |
| ▸ Voluntary (resignations) | 10.4 | % | | 10.4 | % | 9.8 | % |
| ▸ Other reasons (pre/retirements and miscellaneous) | 1.5 | % | | 1.9 | % | 1.8 | % |
| ***Turnover rate of salaried non-sales force*** | **13.3** | **%** | **-1.1pt** | **14.4** | **%** | **14.3** | **%** |
| ▸ Involuntary (layoffs/dismissals) | 3.0 | % | | 3.6 | % | 3.9 | % |
| ▸ Voluntary (resignations) | 8.8 | % | | 9.2 | % | 8.6 | % |
| ▸ Other reasons (pre/retirements and miscellaneous) | 1.5 | % | | 1.9 | % | 1.8 | % |
| ***Turnover rate of salaried sales force*** | **24.9** | **%** | **+2.1pts** | **22.8** | **%** | **22.3** | **%** |
| ▸ Involuntary (layoffs/dismissals) | 3.4 | % | | 3.7 | % | 3.6 | % |
| ▸ Voluntary (resignations) | 19.7 | % | | 17.4 | % | 17.0 | % |
| ▸ Other reasons (pre/retirements and miscellaneous) | 1.7 | % | | 1.7 | % | 1.7 | % |

## Labour Relations [1]

| Working time | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Average number of working days*** | **226.7** | **days** | **-1.1%** | **229.1** | **days** | **227.7** | **days** |
| ***Average number of working hours per week*** | **37.0** | **hrs** | **+0.5%** | **36.8** | **hrs** | **36.9** | **hrs** |
| ▶ Full-time employees | 38.8 | hrs | | 38.6 | hrs | 38.0 | hrs |
| ▶ Part-time employees | 26.4 | hrs | | 25.9 | hrs | 26.6 | hrs |
| ***Part-time salaried workforce*** | | | | | | | |
| ▶ Proportion of part-time salaried non-sales force | 10.2 | % | | 10.0 | % | 11.1 | % |
| ▶ Proportion of part-time salaried sales force | 4.4 | % | | 3.1 | % | 2.7 | % |

| Absenteeism | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Absenteeism rate of salaried workforce*** | **4.7** | **%** | **+0.0pt** | **4.7** | **%** | **4.7** | **%** |
| ▶ Proportion of absences due to sickness | 70.3 | % | | 69.7 | % | 69.9 | % |
| ▶ Proportion of absences due to work related accidents | 2.0 | % | | 1.9 | % | 2.0 | % |
| ▶ Proportion of absences linked to maternity/paternity leave | 27.7 | % | | 28.4 | % | 28.1 | % |
| ***Absenteeism rate of salaried non-sales force*** | **4.9** | **%** | | **4.9** | **%** | **4.9** | **%** |
| ▶ Proportion of absences due to sickness | 69.8 | % | | 69.7 | % | 69.5 | % |
| ▶ Proportion of absences due to work related accidents | 1.9 | % | | 1.7 | % | 1.9 | % |
| ▶ Proportion of absences linked to maternity/paternity leave | 28.3 | % | | 28.6 | % | 28.6 | % |
| ***Absenteeism rate of salaried sales force*** | **3.8** | **%** | | **3.5** | **%** | **3.7** | **%** |
| ▶ Proportion of absences due to sickness | 73.9 | % | | 69.4 | % | 72.5 | % |
| ▶ Proportion of absences due to work related accidents | 2.8 | % | | 3.4 | % | 2.9 | % |
| ▶ Proportion of absences linked to maternity/paternity leave | 23.3 | % | | 27.1 | % | 24.6 | % |

[1] AXA Tianping (2,988 salaried employees with open-ended contract), AXA Next (38 salaried employees with open-ended contract) and Kamet (352 salaried employees with open-ended contract) businesses did not report the labor indicators.

## Compensation

| Compensation cost | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Compensation cost of salaried workforce (c)*** | **8,152** | **€m** | **-12.1%** | **9,275** | **€m** | **8,501** | **€m** |
| ▶Proportion of fixed pay (related to wages) | 81.2 | % | | 77.2 | % | 76.2 | % |
| ▶Proportion of variable pay (related to wages) | 18.8 | % | | 22.8 | % | 23.8 | % |
| ***Annual gross payroll of salaried non-sales force*** | | | | | | | |
| ▶Proportion of fixed pay (related to wages) | 84.7 | % | | 83.1 | % | 83.1 | % |
| ▶Proportion of variable pay (related to wages) | 15.3 | % | | 16.9 | % | 16.9 | % |
| ***Annual gross payroll of salaried sales force*** | | | | | | | |
| ▶Proportion of fixed pay (related to wages) | 52.8 | % | | 45.0 | % | 44.9 | % |
| ▶Proportion of variable pay (related to wages) | 47.2 | % | | 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 [(1)]

| Training days | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Number of training days of salaried workforce*** | **362,448.3** | **days** | **+10.8%** | **327,011.4** | **days** | **330,248.7** | **days** |
| ▶Non-sales force | 262,461.7 | days | | 224,034.3 | days | 226,600.0 | days |
| ▶Sales force | 99,986.6 | days | | 102,977.1 | days | 103,648.7 | days |

| Training attendees | 2019 | | Evolution | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|
| ***Percentage of salaried workforce having received at least one training course*** | **100.0** | **%** | **+2.2pts** | **97.8** | **%** | **84.2** | **%** |
| ▶Non-sales force | 100.0 | % | | 97.6 | % | 83.5 | % |
| ▶Sales force | 100.0 | % | | 99.2 | % | 88.6 | % |
| ***Average number of training days per salaried workforce*** | **3.2** | **days** | | **2.7** | **days** | **3.1** | **days** |
| ▶Non-sales force | 2.7 | days | | 2.2 | days | 2.5 | days |
| ▶Sales force | 6.1 | days | | 6.1 | days | 6.6 | days |

[(1)] AXA Tianping (2,988 salaried employees with open-ended contract), AXA Next (38 salaried employees with open-ended contract) and Kamet (352 salaried employees with open-ended contract) businesses did not report the training indicators.

## 7.3 Climate Change and biodiversity

As described above in Section 7.1 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 section covers all three dimensions.

### AXA's POSITION ON CLIMATE CHANGE AND BIODIVERSITY

AXA's position regarding climate change and biodiversity-related risks is not only to fight against the causes of these phenomena, but also to leverage its expertise to provide solutions. Indeed insurers are well equipped to address climate-related risks. They can fund and promote research. They have 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 and biodiversity 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 and biodiversity. To be effective, it requires both collective efforts and more competitive initiatives.

More specifically, our climate and biodiversity strategy currently includes the following initiatives:

- investments: investing in green assets and "transition bonds", divesting from certain carbon-intensive industries (coal and oil sands), committing to carbon neutrality in our investment portfolios, climate-related shareholder engagement, and climate risk analysis (TCFD [3]);
- 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, paper and waste across all three Greenhouse Gas Protocol "scopes";
- thought leadership, NGO partnerships, academic research (AXA Research Fund);
- since 2018, the Group has also decided to start addressing the issue of biodiversity loss through a comprehensive strategy that will be gradually rolled out.

In addition, several important steps were taken in 2019:

- in May 2019, the AXA Group published recommendations for stronger action on biodiversity risks (https://www.axa.com/en/newsroom/news/how-to-support-the-transition-towards-the-protection-of-biodiversity);
- in November 2019, the Group launched a new phase in its climate strategy, based on four new developments: the "Warming potential" of AXA's investments is to be contained below 1.5°C by 2050, a green investments target doubled to €24 billion by 2023, launching the "Transition Bonds" asset class, and a total exit from the coal industry. This is developed online (https://www.axa.com/en/newsroom/news/new-climate-strategy-2019) and below;
- finally, a new $CO_2$ emissions target for the 2018-2025 period was defined, in line with the "Science-based Target" initiative.

These are developed online and in the following sections.

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[3] Related to the recommendations from the TaskForce on Climate-related Financial Disclosures: www.fsb-tcfd.org.

## INVESTMENTS

This section describes our Responsible Investment (RI) initiatives in line with the voluntary disclosure requirements related to the Taskforce on Climate-related Financial Disclosures (TCFD) and the compulsory disclosure requirements set out in the French decree implementing Article 173 VI of Law No.2015-992 of August 17, 2015, on the energy transition for green growth (which focuses more broadly on ESG). This is why the text below occasionally extends beyond purely environmental factors. Furthermore, this text is an overview of our more detailed “2020 Climate Risk Report”, to be published on www.axa.com in 2Q 2020, 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. AXA’s 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 Communication. 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 “Social Information”, the Board of Directors and Stakeholder Advisory Panel provide input into the Group’s CR strategy.

### *Responsible Investment strategy*

AXA's Responsible Investment strategy, embodied in its Global Responsible Investment policy (published on the Group's website: www.axa.com/en/about-us/responsible-investment), is based on five main pillars:

- integrating ESG and climate-related 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) are published on AXA Group website (www.axa.com/en/about-us/responsible-investment) and currently include controversial weapons, coal, oil sands, tobacco, palm oil, and food commodity derivatives;
- investing in green bonds, transition bonds and impact investment funds;
- activating stewardship through voting and engagement on a range of ESG or sustainability issues;
- develop biodiversity-related impact metrics is underway.

The AXA Group as well as its in-house Asset Management entity AXA IM are signatories of the UN-backed principles for Responsible Investment (UN PRI). To further support the implementation of the Responsible Investment strategy in November 2019, AXA launched an online training course on responsible investment in collaboration with the AXA Group's Responsible Investment Center of Expertise and AXA Investment Managers. This online training is mandatory for the AXA Group's investment community and is also open to all AXA employees. It offers training on key principles and best practices in responsible investment.

## *ESG tools and methodology*

AXA tracks its investments' ESG performance with accuracy by leveraging AXA IM's in-house ESG tool, 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 ESG 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). It 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 the ESG tool optimally.

The ESG methodology is adapted to different asset classes:

- **for corporate issuers** (equity and debt), the ESG assessment focuses on the most material and impactful key ESG issues at sector level, taking into account sector/peer group performance and also factoring an analysis of material controversies;
- **for Sovereign issuers**, AXA's ESG scoring uses public data sources such as the World Bank, the OECD, and the UN (e.g. environment, social and political risks), and the criteria are adapted to the development levels of countries;
- **for real assets** (direct property, commercial real estate loans and infrastructure debt), AXA's analysis framework is based on proprietary questionnaires covering criteria such as energy efficiency, environmental certificates, and accessibility.

Finally, "carbon footprinting", which is applied to our equities, corporate Fixed Income and Sovereign Debt assets, complements the ESG metrics. See also further climate-related KPI development in the following section.

## *Climate risk methodology*

Converting international climate objectives derived from the COP21 Paris Agreement into quantitative investment targets is a new and complex risk modelling exercise. AXA is testing different approaches since 2016. Building on previous efforts, in 2019 AXA deepened its work based on methodologies provided by external climate risk experts (Carbon Delta, Beyond Ratings, Trucost), while also using internal "NatCat" models to cover our Real Assets investments. This work covers two broad areas: "transition risks" and "physical risks", as defined by the TCFD and explained in more details below. "Transition" risks: financial risks and "2°C" portfolio alignment.

**« TRANSITION RISKS»: FINANCIAL RISKS AND "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 risk terms (measured in Euros) or purely “climate impact” terms (measured in temperature rise).

**Climate risk:** for equity and corporate bonds assets, AXA uses a framework developed by Carbon Delta (acquired by MSCI in 2019) which 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 “well below” 2°C. This top down approach identifies emissions reductions targets by country, sector and company-level targets, applies corresponding carbon price constraints, compensated by future “green revenue” estimates. This approach enables to project companies’ potential costs or gains associated with reaching the 2°C scenario, which are translated into a forward-looking “company cost of climate” per security, which is then translated into a “portfolio cost of climate”. For AXA’s sovereign portfolios, another methodology (developed by Beyond Ratings, acquired by the London Stock Exchange in 2019) have been used to evaluate a comparable “transition risk” metric based on the allocation of carbon budget by countries supporting various warming scenarios, depending on macroeconomic variables such as GDP growth, population growth and energy efficiency;

**Climate impact:** in addition to this financial risk indicator, AXA has deepened its investigation of the concept of an “investment temperature” in its 2020 Climate/TCFD report, using both Carbon Delta (corporates) and Beyond Ratings (sovereigns). This “impact” approach, labelled “warming potential” in Carbon Delta’s methodology, 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 to reach the global 2°C target. For corporates, this produces a “warming potential” per company and sector, and ultimately for AXA’s investments, for which long-term targets may be set. New developments in 2019 (below) show that this approach is likely to become a key dimension of the “climate finance” narrative going forward.

**« 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.

Moreover, for corporate bonds and equities, costs of “physical risks” have been assessed 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.

The analysis of “transition” and “physical” risks is further developed in our 2020 Climate/TCFD report.

#### 2019: A NEW CARBON NEUTRALITY / 1.5°C PORTFOLIO TARGET

The Paris Agreement’s goal to stabilize carbon emissions by 2050 (“carbon neutrality”) requires that global warming be kept below +1.5°C compared to preindustrial levels during this century. This is confirmed by the TCFD and the energy transition act of August 17, 2015 (art 173). The “warming potential”, which is a forward-looking and dynamic concept, is a relevant answer to this objective insofar as it is similar to a “projected carbon footprint”.

Following “global warming potential” methodology (described above) in depth since 2017, AXA decided in November 2019 to align its investments with the Paris Agreement, thereby committing to achieve a 1.5°C “warming potential” by 2050.

Our 2019 TCFD modelling shows that our investments (corporates and sovereign) have a 3.1°C “warming potential”. This is well below our market reference of 3.7°C. Thus investors are operating in a carbon-intensive economy that is not aligned with the Paris Accord. The fight against climate change therefore requires a vast transition effort that investors cannot achieve on their own. All companies must evolve, and it is incumbent on investors to identify and support relevant transition strategies.

AXA has therefore decided to join and support the “Net Zero Asset Owner Alliance”, whose objective is aligned with this transition imperative. As part of this Alliance, AXA will notably contribute to the development of metrics and methodologies, and has committed to work with peers on an annual reporting framework and intermediate targets. Indeed, AXA leads the "Methodology" sub-group of this alliance.

### *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 (equity assets are divested immediately, and debt assets are run-off - except for controversial weapons, for which debt assets are also divested immediately) and insurance (see following section). These currently include the following sectors:

- coal and oil sands (developed below);
- “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 total, AXA’s divestments (including new coal-related efforts in 2019 – see below) represent approximately €7.5 billion (coal, tobacco, oil sands, controversial weapons and palm oil, in decreasing order of magnitude, and including XL Group assets).

**EXAMPLE: A FOCUS ON COAL AND OIL SANDS**

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. Current valuation models may not account for such risks adequately. Coal-based power generation is seen as the most risky industry in terms of such "asset stranding".

AXA acted early in May 2015 with a pioneering coal divestment, later strengthened in 2017 with underwriting restrictions, and extended these to our new entity AXA XL in 2018. In November 2019, this approach have been strengthened and complemented with a long-term perspective. AXA now bans investments, for General Accounts and in Unit-Linked assets in fully controlled mandates, in the following companies:

power generation companies with coal share of power production (energy mix) over 30% and/or coal "expansion plans" producing more than 300MW (previously: 3000MW) and/or over 10GW of coal-based power installed capacity;

mining companies with coal share of revenues over 30% and/or with annual coal production over 20 million tons and/or developing new coal mines;

certain coal industry partners, defined as manufacturers (*e.g.* equipment suppliers) and infrastructure players (*e.g.* port terminals, dedicated railways) developing significant new coal assets;

in addition to the above restrictions, AXA is now committed to a long-term "exit" strategy reducing exposure to the thermal coal industry to zero by 2030 in the European Union and OECD countries, and by 2040 in the rest of the world, as suggested by the main climate scenarios (such as the IEA "Beyond 2°C" scenario). This approach is applied both to our investments and underwriting (see below) activity.

AXA notably encourages this transition through active shareholder engagement and client communication. In particular, as a shareholder, AXA engages, alone or within specific investor coalitions such as Climate Action 100+, with the companies concerned (whether client or portfolio companies), in order to encourage them to develop and disclose an exit or closure plan.

Because oil sands are also a particularly carbon-intensive form of energy, AXA also divested from the main oil sands producers and from the main associated pipelines players.

## *Green investments*

In addition to "temperature" targets and divestments, green investments encourage various sectors to ramp up their climate strategy. After reaching first €3 billion green investment target in 2017, AXA scaled up its green investment target to €12 billion by 2020, using a broader set of asset classes as well as growing its underlying commitment in each of these asset classes. In November 2019, having almost achieved this target, AXA decided to double it to invest €24 billion in green investments by 2023. "Green" investments are defined as: green bonds, infrastructure debt & equity, impact investments, real estate, and commercial real estate loans (see our 2020 Climate/TCFD report for further criteria disclosure). In December 2019, AXA's green investments reached €11.8 billion (€11.3 billion end of 2018).

AXA and the IFC, a member of the World Bank Group focused on the private sector, launched a $500 million partnership in 2017, supporting an infrastructure fund that will notably finance green infrastructures in emerging countries, including renewable energy, water, green transport and telecoms. At the end of 2019, mandatory loans amount to $390 million, of which $120 million has already been financed. Coal and oil-sands related projects are explicitly excluded.

## *Transition bonds*

Green or climate bonds are a recent but successful instrument designed to support projects with climate or environmental added value. However, it is also important to support carbon intensive players that are actively decarbonizing but have not yet reached the "greenness" that makes these efforts eligible to green bonds. This is why AXA IM developed the concept of "transition bonds" in 2019. In November 2019, AXA announced the launch of a first of its kind "transition bond" in partnership with Crédit Agricole CIB. AXA entirely financed a 100 million euro bond in a private placement where the proceeds will be used to refinance existing commercial loans made by Credit Agricole. In this transaction, the use of proceeds from the bond will be used to finance electricity production shifting from coal to gas, marine transport shifting from heavy fuel to gas, and industrial process improvements. The details of this project are available online and in our 2020 TCFD report. AXA IM is working with peers and policymakers to define acceptable "Transition Bonds principles".

## *Biodiversity*

Biodiversity loss endangers "ecosystemic services", which threatens both society and businesses that depend on them, and in turn investors and insurers that rely on a well-functioning economy. AXA views the biodiversity challenge as a natural extension of its climate efforts. Indeed, climate change is severely compounding the destruction of ecosystems all around the world, adding pressures related to drought, ocean acidification, more intense natural catastrophes, etc. This is why in 2018 AXA publicly decided to investigate how biodiversity loss is impacting society and how AXA can act both as an insurer and an investor. AXA's biodiversity strategy currently includes the following developments:

- in May 2019, during the G7 Ministerial meetings, AXA launched recommendations co-developed with the WWF emphasizing how biodiversity loss may be tackled by investors through new forms of public-private collaborations. The report "Into the Wild – Integrating nature into investment strategies" is designed to raise awareness on biodiversity loss and its economic and financial impacts. It presents several recommendations, including the launch of a "TCFD-like" broad-based taskforce to promote the protection and restoration of biodiversity. The report also called on the creation of biodiversity risk metrics adapted to investors, as well as several other developments (see www.axa.com/en/newsroom/news/how-to-support-the-transition-towards-the-protection-of-biodiversity);
- AXA launched its third "Impact Investment" fund during the G7 meetings, with a strong focus on biodiversity protection. This Impact Fund will invest between €150 million and €200 million of AXA capital to fund credible solutions that deliver intentional and measurable positive outcomes contributing to the fight against climate change and loss of biodiversity;
- the AXA Research Fund actively supports academic research on biodiversity risks (see Section 7.4 "Inclusive Insurance");
- AXA supports the "Plastic Solutions Investor Alliance" shareholder engagement initiative described above;
- AXA XL actively contributes to the Ocean Risk and Resilience Action Alliance (ORRAA), an alliance focused on developing risk management strategies using the experience and expertise of the insurance and broader finance community, to address ocean risk and build resilience in the regions and communities that need it most;
- AXA XL, our division dealing with specialty risks, proposes environmental liability covers insuring companies against accidental damages to the environment, which allow for prompt remediation;
- AXA joined the world's first insurance industry statement on sustainable marine insurance, banning so-called "illegal, unreported and unregulated (IUU) fishing", and co-developed by the UN Principles for Sustainable Insurance and the Oceana NGO.

## 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 (*e.g.* 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 in the other industries mentioned in the previous section, and arctic drilling). Since 2017, the underwriting restrictions ban Property and Construction covers for coal mines, coal plants, oil sands extraction sites or associated pipeline. In November 2019, AXA significantly strengthened these restrictions by adding the following coal-related restrictions at client-level, mirroring divestment criteria:

- any new and existing business, in any line of business is banned for power generation and mining clients developing new coal capacity (defined as developing more than 300MW of new coal-based power);
- any new and existing business, in any line of business is banned for power generation and mining clients with significant coal business (defined as: power generation clients with more than 30% of coal share of revenues or coal-based energy mix and mining clients with over 20 million tons of coal extracted per year). A long-term target to achieve a "0%" exposure to coal business by 2030 in the EU and OECD, and 2040 in the rest of the world, is also set;
- a case by case referral process is used to ban or authorize business with coal industry partners (such as equipment suppliers, port terminals, dedicated railways);
- Property and Construction covers are also banned for Oil & Gas extraction in the Arctic region;
- the above rules do not apply to Employee Benefits (Health, Savings, Life insurance) or to reinsurance treaty. The details of these policies are published on AXA Group's website: https://www.axa.com/en/about-us/responsible-investment.

### *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 Commercial lines, 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 $CO_2$ emission vehicles, home insurance policies encouraging energy efficiency, renewable energy installations, and environmentally friendly claims strategies. As described in Section 7.4 "Inclusive Insurance", AXA France has developed the comprehensive "Assurance Citoyenne" label, and AXA Climate offers parametric insurance products which, for example, help insured communities facing the consequences of climate-related disasters on agricultural crops (notably drought or flooding).

## CLIMATE, BIODIVERSITY AND ESG-RELATED "OUTREACH" AND ENGAGEMENT

### Shareholder engagement

AXA's investment and insurance restrictions 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, biodiversity, health, governance, market practices, etc.). This is undertaken generally via AXA IM's engagement team. 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.

### Outreach, memberships and partnerships

AXA supports various initiatives related to climate change and environmental protection. These include the following:

**Net-Zero Asset Owner Alliance** (www.unepfi.org/net-zero-alliance): the NZAOA is a coalition of institutional investors (insurers, pension funds etc.), convened under the auspices of the UN Principles for Responsible Investments, and launched during the 09/2019 UN Climate Summit. Its members collectively commit to transition their investment portfolios to net-zero greenhouse gas emissions by 2050, with united investor action to align portfolios with a 1.5°C scenario. The AXA Group leads the NZAOA's "Methodology" working group;

**TCFD**: AXA co-presided the global industry-led Task Force on Climate Related Financial Disclosures (TCFD) upon its launch in December 2015. The TCFD was set up by the Financial Stability Board (FSB) and chaired by Michael Bloomberg and Mark Carney (former Governor of the Bank of England, now UN Special Envoy for Climate Action). The TCFD provides guidance on how to disclose climate change risk and opportunities. In 2019, the FSB approved AXA's renewed membership of the TCFD, notably with an ambition to investigate the relevance of "investment temperature" metrics;

**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**: this is 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, to support the TCFD, to support low-carbon solutions and finance, and to promote adequate regulation. AXA joined in 2018;

**IDF**: AXA's Chairman presides the Insurance Development Forum since 2018. The IDF brings together the private sector insurers, reinsurers and brokers, together with the World Bank and the United Nations Development Program, with the aim 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;

**Plastic Solutions Investor Alliance**: as part of its engagements to protect biodiversity, in 2019 AXA became a member of the Plastic Solutions Investor Alliance, an international coalition of 25 institutional investors with a combined $1 trillion of assets under management that engage with public consumer goods companies on the threat posed by plastic waste and associated pollution and to find solutions through new corporate commitments, programs, and policies. The Plastic Solutions Investor Alliance is organized by the US-based non-government organization, As You Sow.

The Group has signed several NGO partnerships:

in 2019, the AXA Group signed a three-year partnership with the **WWF France** in order to develop and strengthen its biodiversity strategy. The partnership will include: crafting an industry-led taskforce to develop a biodiversity risk-related guidelines for the financial services industry, developing biodiversity risk and impact metrics, and supporting AXA's Impact Investing work on biodiversity solutions. See "Biodiversity" paragraph above;

- **C40:** during a year-long partnership, AXA and C40 Cities collaborated on a study on infrastructure interdependencies in cities. The purpose of this study was to better understand the progress that cities are making to include infrastructure interdependencies in their adaptation plans, to identify barriers cities face and to provide practical recommendations for how cities can overcome these challenges to improve the resiliency of their networks. The results of the study were published in a report *Understanding infrastructure interdependencies in cities*, which was launched in November 2019, as part of AXA's Climate Impact day;
- **UN Habitat:** in May 2019, at the Global Platform for Disaster Risk Reduction in Geneva, AXA launched the publication Supporting Safer Housing Reconstruction After Disasters - Planning and Implementing Technical Assistance at Scale, the result of our multi-year partnership with UN Habitat. This publication contributes to risk reduction and prevention measures by providing practical and accessible information on technical assistance to all stakeholders involved in housing reconstruction. Such information aims to ensure housing is built to best standards, in accordance with building codes and norms, so that communities can build back better and avoid re-instating pre-existing vulnerabilities.

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 (notably supporting its "Pilot project" to adapt the TCFD guidelines to the insurance business), 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 Section 7.4 "Inclusive Insurance").

## OWN OPERATIONS

As part of AXA's climate strategy, which aims to accelerate its contribution to the transition towards a more sustainable and less carbon-intensive economy by 2050, AXA developed an environmental policy and strategy which covers both its 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;
- initially set 2020 environmental performance targets, which have been revised for the period 2018-2025.

Therefore, as well as improving environmental standards and helping to drive decarbonization through its insurance and investment business, AXA continually strive to improve the environmental performance of our own operations.

### *Environmental reporting process and verification*

AXA has implemented an environmental reporting process and related policies since 2002. Managing our environmental footprint, in line with 2014/95/EU Directive relative to non-financial reporting, is one of the pillars of our CR strategy.

This process provides standards and controls, supports environmental data collection through an internal reporting tool and promotes transparent reporting of environmental impacts across our operations. It helps us in monitoring and managing our $CO_2$ footprint, managing our use of natural resources including water and energy, and reducing our waste. Thanks to a network of around 300 dedicated environmental managers in local entities, we monitor AXA annual progress on reduction targets, which helps local entities evaluate their own action plans and targets. The results of this annual reporting process are disclosed in the Group Integrated Report.

AXA's environmental reporting is part of a broader management system that includes internal controls, processes and progress in deploying objectives. The data collected and reported through the reporting process is validated locally by the entity CFOs. In addition, the firm PricewaterhouseCoopers conducts audits at the Group and entity levels to ensure data quality and measure the effectiveness of local environmental management systems. The accuracy of the data and indicators presented is measured by following these steps:

- review of the environmental protocol and reporting procedures at Group and entity level;
- review of data and detailed tests on selected entities to verify the accuracy of the data, and consideration of comments;
- consolidation of data covering all indicators, as well as consistency and control tests performed by the Group and our auditors;
- verification of qualitative information (organization, policies and actions), as well as quantitative information (indicators, sampling techniques). The audit covers all of the entity's data used to feed the environmental information published in this report. The report is included in this chapter.

## *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 initial 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).

AXA 2018-2025 $CO_2$ emissions reduction targets are based on the approach promoted by the "Science Based Targets" (SBT) initiative, which AXA joined in 2015. According to the SBT, targets adopted by companies to reduce greenhouse gas emissions are considered "science-based" if they are in line with the latest climate science expects from companies to meet the goals of the Paris Agreement to limit global warming to well-below 2°C above pre-industrial levels. More specifically, AXA has chosen the "Sectoral Decarbonization Approach" to produce these targets, which have been submitted to SBT as follow:

- 25% reduction in AXA's $CO_2$ emissions (in absolute terms t.$CO_2$ eq.) broken down into the following $CO_2$ emissions reduction sub-targets: -20% from AXA's vehicle fleet emissions, -35% from AXA's power consumption linked to building and data centers, and -15% from AXA's business travel emissions. Our absolute $CO_2$ emissions target represents a 17% $CO_2$ emissions reduction per FTE;
- source 100% of AXA's electricity consumed (office sites and AXA-owned data centers) from renewable energy sources by 2025, in line with our "RE100" commitment;
- reduce waste by FTE by 15%;
- reduce water consumption by FTE by 15%.

Progress on these targets is described below.

## *2019 performance overview*

### $CO_2$ EMISSIONS

AXA's $CO_2$ emissions per FTE related to paper, power, business travel and AXA vehicle fleet per person increased by 9% between 2018 and 2019 and decreased by 32% since 2012 (AXA global 2020 target has thus been achieved ahead of schedule). But it must be considered that emission factors used to calculate $CO_2$ emissions per FTE have been updated in 2019. When recalculated using the same emission factors as for previous years, $CO_2$ emissions per FTE related to paper, power, business travel and AXA vehicle fleet per person are stable between 2018 and 2019 and decreased by 38% between 2012 and 2019.

37% of the Group's $CO_2$ emissions are related to energy consumption, 46% from business travel (air and train), 14% from AXA's vehicle fleet and 4% 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 was stable between 2018 and 2019 and decreased by 37 % since 2012. The decrease of $CO_2$ emissions related to gas consumption by 6% compared to 2018, is explained by the fact that some entities in Germany released part of occupied buildings. The increase of 21% of $CO_2$ emissions per FTE related to heating oil consumption in 2019 compared to 2018 is mostly due to power outage from service provider in India resulting into use of diesel generator. In 2019, AXA's car fleet-related $CO_2$ emissions per FTE were stable compared to 2018.

#### Scope 2 $CO_2$ emissions

AXA's Scope 2 emissions per FTE decreased by 7% between 2018 and 2019 and by 55% 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 $CO_2$ emissions**

AXA’s Scope 3 emissions include $CO_2$ emissions from business travel and paper consumption. In 2019, our Scope 3 $CO_2$ emissions per FTE increased by 19% compared to 2012 and by 43% between 2018 and 2019, mostly due to emission factors updating. When recalculating data with same emission factors as used in previous year, $CO_2$ emissions for business travel airplane and train increased by 23% between 2018 and 2019. This increase is mostly due to the integration of the XL Group. For example, XL Group number of kilometers traveled by plane contributed by 36% to AXA Group data.

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 2019, based on responses collected from 57 entities where AXA employees commuted a total of 1 047 million kilometers, out of which 49% travelled by public transport, 7% by company cars, and 31% by personal vehicles and the rest by foot or bicycle. Employee commuting-related $CO_2$ emissions per FTE increased by 15% compared to 2018 (representing 0.13tons eq. $CO_2$ per FTE). This increase in emissions is linked to an increase of participation rate from AXA employees (from 17% in 2018 to 22% in 2019) allowing more accurate data.

**POWER CONSUMPTION**

AXA’s power consumption includes the total energy consumed by its 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 2019, our total energy mix consisted of electricity (74%), gas (13%), fuel/steam (10%) and chilled water (3%). AXA achieved a 6% decrease in total power consumption by square meters between 2018 and 2019, and a 45% decrease compared to 2012. Our power consumption per FTE decreased by 4% between 2018 and 2019, and by 53% between 2012 and 2019. 64 out of 249 AXA sites included in the environmental reporting 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 etc.

In 2019, 59% 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. In 2018, the share of renewable energy was 55%. This increase is mainly due to a better knowledge of the energy source.

**BUSINESS TRAVEL**

Business travel per FTE increased by 20% between 2018 and 2019 and by 35% between 2012 and 2019. Business travel trends are closely correlated to our business dynamics, despite the implementation of online collaborative tools which help to reduce business travel, as well as the purchase of carbon credits by certain entities, in particular AXA XL, the largest contributor to this indicator.

**VEHICLE FLEET**

AXA’s car fleet consists of sales vehicles and benefits-related vehicles. In 2019, the total distance travelled by the Group’s car fleet decreased by 2% compared to 2018. Further, in terms of per FTE usage, there were 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 2019, 26% of km travelled by AXA vehicle fleet were by vehicles emitting equal to or less than 100g of $CO_2$/km (compared to 4% in 2012), 39% of vehicles emitting equal or less than 101g-120g (25% in 2012) and an average emissions rate of 124g of $CO_2$/km. 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 decreased by 12% between 2018 and 2019, and by 59 % since 2012 (our global 2020 target has thus been achieved ahead of schedule). Many entities have implemented a printing policy which includes reducing the number of printers and installing an employee badging system to collect all printed documents. In 2019, AXA’s marketing and distribution paper consumption per customer decreased by 51% compared to 2018 and by 50% since 2012 (our global 2020 target has thus been achieved ahead of schedule). This recent significant decrease is partly linked to the fact that Equitable Holdings, Inc. is no longer part of AXA Group and that in 2018 it contributed to 39% to total value reported on that indicator.

AXA also strives to increase the volume of paper originating from recycled sources or sustainably managed forests (Group target: 95% of recycled paper by 2020). In 2019, AXA procured 58% of office paper and 72% of marketing and distribution paper from recycled sources. To promote this approach, the Group requires environmentally-friendly office paper as a minimum standard.

#### WATER CONSUMPTION

AXA’s water consumption per FTE decreased by 13% between 2018 and 2019, and by 30% between 2012 and 2019. This decrease in our water consumption is linked to better water management initiatives led by our local entities.

#### WASTE MANAGEMENT

In 2019, AXA’s sorted paper for recycling decreased by 29% compared to 2018, and decreased by 57% since 2012. This decrease in the total recycling rate is due to the overall decrease in office paper consumption (see section above). 71% 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 2012/19/EU Directive relative to Waste Electronic and Electrical Equipment (WEEE). For example, in 2019, the IT Direction of GIE AXA added second-hand or rebuilt equipment in its catalogue for mobile device.

Unsorted waste increased by 3% between 2018 and 2019, and decreased by 27% since 2012. This indicator was relatively stable. This is mainly due to the improvement of waste measurement processes in local entities..

## *2019 Group environmental performance*

| | Unit | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **AXA Group environmental indicators (a)** | | | | |
| Number of employees on site, Full-Time Equivalent (FTEs) | **FTE** | 121 337 | 124 355 | 115 328 |
| Net internal area (sites) | **m2** | 1 629 198 | 1 705 774 | 1 777 687 |
| **POWER (sites)** | | - | - | |
| Power consumption (b) | **Mwh** | 305 484 | 344 684 | 363 283 |
| **KPI: Power consumption per person** | **Kwh/FTE** | **2 518** | **2 772** | **3 150** |
| ***Evolution compared to previous year*** | | ***-25%*** | ***-21%*** | ***0%*** |
| **TRANSPORTATION** | | | | |
| Business travel: airplane and train (c) | **Thousands of km** | 393 322 | 336 918 | 328 523 |
| Business travel: AXA vehicle fleet | **Thousands of km** | 220 173 | 223 577 | 266 242 |
| Home/workplace commute (round trip) (d) | **Thousands of km** | 976 840 | 920 155 | 932 534 |
| **CO2 EMISSIONS (e)** | | | | |
| CO2 emissions: onsite power consumption | **T. eq CO2** | 73 425 | 80 652 | 94 756 |
| CO2 emissions: business travel: airplane and train | **T. eq CO2** | 90 584 | 64 948 | 63 494 |
| CO2 emissions: business travel: AXA vehicle fleet (f) | **T. eq CO2** | 27 223 | 27 287 | 31 799 |
| CO2 emissions: paper | **T. eq CO2** | 7 197 | 13 056 | 11 446 |
| **KPI: CO2 emissions resulting from onsite power consumption, paper and business travel (airplane, train, AXA vehicle fleet) per person** | **T. eq CO2/FTE** | **1,64** | **1,50** | **1,75** |
| ***Evolution compared to previous year*** | | ***-7%*** | ***-14%*** | ***0%*** |
| CO2 emissions: home/workplace commute (g) | **T. eq CO2** | 123 094 | 109 389 | 87 116 |
| **WATER** | | | | |
| Water consumption (h) | **m3** | 850 506 | 1 003 964 | 927 017 |
| **KPI: Water consumption per person** | **m3/FTE** | **7.01** | **8,07** | **8,04** |
| ***Evolution compared to previous year*** | | ***-15%*** | ***0%*** | ***0%*** |
| **PAPER (i)** | | | | |
| Office paper consumption | **T** | 1 384 | 1 616 | 1 815 |
| **KPI: Office paper consumption per person** | **kg/FTE** | **11** | **13** | **16** |
| ***Evolution compared to previous year*** | | ***-31%*** | ***-17%*** | ***0%*** |
| Paper recycled and/or garanteeing sustainable management: office | **%** | 58 | 58 | 58 |
| Marketing and distribution paper consumption | **T** | 6 153 | 12 078 | 10 220 |
| **KPI: Marketing and distribution paper consumption per customer (j)** | **kg/customer** | **0.06** | **0,12** | **0,10** |
| ***Evolution compared to previous year*** | | ***-49%*** | ***18%*** | ***0%*** |
| Paper recycled and/or garanteeing sustainable management: marketing & distribution | **%** | 72 | 41 | 51 |
| **WASTE** | | | | |
| Unsorted waste (k) | **T** | 4 646 | 4 512 | 4 301 |
| Sorted paper for recycling | **T** | 2 289 | 3 223 | 3 588 |
| Cartridge and/or toners for recycling | **%** | 71 | 66 | 0 |

*Data collected from 98 entities. Key Performance Indicators (KPIs) highlighted in bold. AXA sites with fewer than 50 FTEs are not included in data collection, but are part of extrapolation process.*

*(a) En 2019, environmental indicators were collected for 101,354 FTEs working on AXA sites (unless otherwise indicated in these footnotes), and were then extrapolated, continent by continent, to cover all 121,337 salaried FTEs (all types of contrat), working at the AXA Group in average in 2019..*
*(b) Includes electricity, naturalgas, heating oil, steam, chilled water.*
*(c) This data have been collected from entities representing 97,402 FTEs.*
*(d) Home/workplace commute estimations are based on an annual online transportation surveu, issued to every AXA salaried employee. This data has been collected from surveys answers by 19,563 FTEs and then extrapolated. Sites whose response rate was below 5% have been excluded from the data consolidation process.*
*(e) The emission factors specific to each country used for energy, train and air were revised in 2019. Source: Ademe and DEFRA.*
*(f) The AXA vehicle fleet data was collected from entities representing 101,270 FTEs.*
*(g) Does not include company cars, to avoid double counting with the AXA vehicle fleet data.*
*(h) This data has een collected from entities representing 101,044 FTEs. Some sites in Asia and America are nont equipped with water meters, which prevents accurate measurement and excludes the from the reporting scope before extrapolation.*
*(i) Paper data collected from entities representing 101 354 FTEs.*
*(j) The Group had 107,8 millions customers in 2019.*
*(k) Unsorted waste data collected from entities 99 128 FTEs.*

## 7.4 Inclusive insurer

Being a responsible insurer has always been part of AXA's DNA, because of the very nature of our insurance business which is based on the principle of a social safety net by pooling risks, but also because of its Corporate Responsibility strategy that positions it as a company striving for a stronger and safer society. In the previous section, AXA’s vision and practices on its Environment pillar has been shared. This section encompasses AXA’s practices and key achievements as an inclusive insurer when it comes to the other two pillars, respectively on Health & Disease Management and on Social Inequalities and Inclusion.

### BUSINESS-RELATED SOCIETAL INITIATIVES

Beyond investments where AXA has led the way with some pioneer positions in the past such as the divestment from tobacco, the Group is now moving forward on the insurance side as well, through fully fledged business opportunities such as:

- the integration of ESG criteria in its product approval process;
- its Emerging customers and initiatives to foster more resilience;
- its AXA Climate parametric insurance offer;
- its insurance products dedicated to Women;
- its Health and disease prevention projects;
- as well as new initiatives to contribute to a more inclusive economy & growth.

#### *Integrating societal issues in product range*

In France, demand for responsible products from clients continues to grow. Consequently, back in 2015, AXA France created the “Assurance Citoyenne” (“Citizen Insurance”) label, which guarantees that all insurance contracts offer benefits to clients as well as positively impact society. In 2019, this initiative was adapted and deployed on AXA’s Savings contracts under the “Épargne citoyenne” (“Citizen Savings”) label. These two labels are 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 pillars, which are the following: “Trust” (*e.g.* simple contracts for readability and transparency), “Prevention” (*e.g.* preventive services or financial education to minimize the risks our clients are facing for themselves, their goods and their savings), “Environment” (*e.g.* paperless contract, investment decisions based on environmental impact), and “Fairness” (*e.g.* product accessibility for populations usually excluded from insurance mechanisms, investments in companies which create recruiting opportunities and protect human rights). In 2019, AXA France built every new offer around these engagements and distributed in total 60 different labelled products. Since 2015, 4.9 million labelled contracts have been sold.

#### *Emerging Customers and initiatives to foster more resilience*

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 into poverty. This approach is to design products that are simple, fair, and accessible. The products are designed involving co-creation with customers leveraging technology and alternative distribution partners like mobile network operators, banks and microfinance institutions, and remittance companies.

In 2019, AXA's Emerging Customers business covered almost 17 million customers and has continued to develop various partnerships:

**India:** Bharti AXA General Insurance (BAGI) has partnered since 2017 with Airtel Payment Bank (APB) to insure APB clients with free personal accident insurance, covering 2.8 million customers at year end 2019, and in the second half of 2019, Bharti AXA Life (BAL) launched an initiative with Airtel's telco arm, Airtel Mobile, which allows customers to enroll in life insurance when purchasing a SIM card. The latter pilot was launched in two Indian states, with plans to go nationwide in 2020. BAGI also covers more than 5 million travelers on the national railways, independent drivers of ride hailing platforms and, with the support of the Indian government, more than 1 million farmers through an agriculture insurance scheme across different departments in India;

**Indonesia:** in 2019, Mandiri-AXA General Insurance (MAGI) launched an innovative mobile health initiative with Alodokter, which bundles unlimited chat with doctors with lump sum benefit in case of hospitalization. The scheme reached 20 thousand customers in 9 months. Leveraging its partnership with Mandiri Bank, MAGI also addresses nearly 1.5 million lower middle-class customers across the Bank's different businesses including micro-credit customers, retail customers, and soon payroll customers;

**Thailand:** AXA GI provides Personal Accident and Hospital Cash products in partnership with AIS, the first mobile network operator in Thailand, to reward loyal AIS prepaid customers, and with a remittance company called Deemoney to cover migrant workers;

**Egypt:** since 2017, AXA Egypt has been working with Lead Foundation, a leading microfinance institution, to provide a credit life and hospital cash products for their 200k borrowers, a large majority of whom are women. In 2019, the product was expanded to include a family cover and additional partnerships with other microfinance institutions increased the reach to an additional 40 thousand clients;

**Malaysia:** In partnership with the Malaysian Post Office, AXA Malaysia is providing accessible accident and two-wheeler insurance to 170,000 customers. AXA Malaysia also partners with Merchantrade, the largest money transfer operator in the country, to protect nearly 6k thousand migrants sending money back home;

**Morocco:** AXA Morocco partners since 2012 with a microfinance institution, Albaraka, to provide more than 250,000 micro-entrepreneurs with credit life, property and hospital cash ("hospicash") coverages;

Local AXA entities have also established distribution partnerships in **Nigeria** (*via* several MFI's), **Brazil** (*via* a leading retailer), and **Mexico** (MFI for P&C and credit life insurance to micro-entrepreneurs).

Other examples to foster resilience through more accessible insurance include Mexico: in September 2017, two violent earthquakes hit Oaxaca, one of the poorest and most vulnerable regions of Mexico. In order to respond to this emergency and to increase the resilience of the population against future catastrophic events, AXA Mexico, in alliance with the public sector and civil society associations, implemented an integrated reconstruction project in the heavily damaged community of Unión Hidalgo and use it as an example to continue insuring Santiago Niltepec.

Those micro-insurances were designed by AXA Mexico to respond to the principal risks faced by the communities and cover the total value of the houses against earthquakes, fires and hydro-meteorological phenomena such as flood or hurricanes. They are free of charge for the beneficiaries for the first 3 years (construction companies pay for it and use it to promote the quality of their work), with the objective to progressively develop an insurance culture, in a region where the insurance penetration is close to 0%. Each owner received training and all information necessary to activate their insurance if needed. At the term of the 3 years, the extension of this micro-insurance contract is offered voluntarily to the house owner, at a very affordable price.

At end of December 2019, AXA Mexico covers 243 houses in Unión Hidalgo and 287 in Santiago Niltepec for a total of 996,000 Mexican pesos (av. 53,000 USD). The number of covered houses will increase during the year, with the delivery of new houses.

## *Parametric insurance*

AXA Climate (formerly AXA Global Parametrics) provides immediate protection to communities facing climate risks in order to prevent them from falling into poverty. AXA Climate also contributes to the InsuResilience goals of insuring 500 million poor and vulnerable people against disaster and climate shocks by 2025.

AXA Climate works closely with governments and international organizations to develop public-private partnerships in emerging markets. Public-private partnerships represent 60% of AXA Climate's portfolio.

AXA Climate draws on the latest advances in technology and data science to protect vulnerable communities from the effects of climate change. AXA Climate provides parametric insurance solutions based on satellite and weather data that triggers quick and automatic payouts within a few days after a natural catastrophe or extreme weather event has struck. AXA Climate is also developing early warning systems using satellite and other weather data to anticipate and initiate contingency planning before a natural catastrophe occurs.

With more than 100 clients worldwide, AXA Climate exceeded its 2019 business target. AXA Climate's public clients include all major international sovereign risk pools which provide governments protection against natural disaster risks including tropical cyclone, earthquake, excess rainfall and drought. AXA Climate also works with governments in the agriculture sector to protect farmers against yield losses due to multiple climate risks. AXA Climate supports the national agriculture insurance scheme in India which allows more than 55 million farmers to benefit from agriculture insurance. AXA Climate also works with the public sector on agriculture insurance projects at smaller scale in Senegal, Ivory Coast, Cameroon, Zambia, Ethiopia and Rwanda.

Corporate clients of AXA Climate include also leading industrialists in Europe, agriculture cooperatives, forestry organizations both in Europe and Latin America, and renewable energy companies. The markets covered through our corporate clients are agriculture, energy, transport, construction and utilities.

Results are the following:

**Caribbean Islands and Central America**: AXA Climate is a major reinsurer of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), a mutual risk pool of 21 countries in the Caribbean region and Central America that purchase parametric insurance to cover themselves against cyclone, earthquake and excess rainfall risks. AXA Climate also provides technical input into the perils' protection based on CCRIF's internally built modelled loss trigger. Through CCRIF, USD 138.8 million were paid out to 13 governments helping millions of people impacted by covered perils. Finally, in Nicaragua, AXA XL, in partnership with INCOFIN Investment Management, Helice Inclusion and two local insurance companies, is testing a new parametric insurance model dedicated to small farmers. Nicaragua is the poorest country in Central America, the second poorest country in the northern hemisphere and one of the countries which are the most vulnerable to the effects of climate change. Based on new technologies, the new insurance product offered by AXA provides policyholders with instant telephone payments in the event of unusual weather forecasts that could potentially threaten farms. Although the program was only launched in 2018, it has already enabled two claims settlements for the severe droughts that have occurred in the north of the country, and protects more than 15,000 coffee and cereal producers against drought and flooding. Following this success, AXA XL's Global Agriculture Reinsurance team is seeking to replicate this insurance model in El Salvador, Guatemala and Honduras;

**Pacific Islands:** AXA Climate is a lead reinsurer of the Pacific Catastrophe Risk Insurance Company, which covers parametrically three governments of the Pacific Islands against typhoon and earthquake risks. In 2018, AXA Climate contributed to the $3.5 million payout received by Tonga following Cyclone Gita;

**Africa:** the African Risk Capacity is a risk pool of African governments that purchase parametric insurance against drought. Governments can also anticipate future droughts through the model that uses satellite rainfall data.

**Ethiopia**: AXA Climate partners with the UN World Food Program and is a lead reinsurer of the R4 Rural Initiative in Ethiopia, which covers 28k farmers against drought to increase their food and income security in the face of increasing climate risks,

**Zambia**: AXA Climate supports and reinsures since 2019 a new insurance program in Zambia as part of the National Farmer Input Support Program, providing drought and yield protection to 148k Zambian farmers on a large sample of crops and among 17 regions,

**Rwanda**: AXA Climate acts as a reinsurer of the National Agriculture Programme in Rwanda which covers 30k farmers in 20 regions against yield losses for maize and paddy. AXA Climate partners with multiple national and international actors including Africa Re,

**Cameroon and Ivory Coast**: AXA Climate works with the World Bank Group's Global Index Insurance Facility to protect cotton and maize farmers in Cameroon and Ivory Coast against drought. AXA partners with AXA Cameroon and AXA Ivory Coast as well as local cooperatives to build-up local expertise on drought risk management and to improve the productivity of the agricultural sector, highly vulnerable to climate-related risks.

## *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, AXA 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 2019, 17 entities included "Women in Insurance" as a strategic priority and 26 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 are 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, AXA dedicates €1 million to research to better understand and prevent health and entrepreneurial barriers for women.

Since 2018, AXA is a strategic partner of the Global Women's Forum. The objective is to bring AXA's expertise and influence to collect insights and develop the best practices, solutions and projects to add value to the Forum's on a yearly basis. Through this organization, in 2019, AXA leads the publication of a white paper - Addressing health barriers through technology – highlighting how women still face unequal access to adequate healthcare around the world.

In November 2019, AXA partnered with 50inTech, a global network of entrepreneurs who are committed to the fight for gender equality in the Tech sector. Together, they launched the FemTech 2020 accelerator program. The objective is to identify and accelerate 10 rising FEMTECH female founders through mentoring, learning and networking.

## *Health and disease prevention*

As announced publicly in May 2016, AXA decided to divest from and end insurance covers for the Tobacco industry. AXA believes that 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. Sending such a signal to markets and regulators reinforces the development of tobacco controls, which ultimately contribute to improving customers’ health, and aligned with the Group’s broader CR strategy to promote a stronger and safer society. AXA’s Group divestment covers €2.05 billion (including XL Group assets added in 2018): equity assets have been divested immediately, while debt assets are run of gradually. In this perspective, AXA continues to support important anti-tobacco initiatives such as the NGO “Tobacco-Free Portfolios” whose Tobacco-Free Finance Pledge was launched at the UN General Assembly in September 2018 by AXA, BNP Paribas, Natixis and AMP Capital. This pledge aims to “denormalize” relationships between the financial community and the tobacco industry. It is now supported by 128 signatories with total assets under management of USD 8.1 trillion. AXA also contributes to this anti-tobacco fight through dedicated awareness campaigns. For the World no tobacco day on May 31, 2019, AXA launched a global awareness campaign #TobaccoFreeMe on the social media with a series of 6 videos. Being one of the world’s largest health insurers, AXA’s strategy is indeed to become its clients’ health risk prevention partner.

In the same perspective as for tobacco prevention, a program called BODI (Beating Obesity & DIabetes) have been implemented in 2019 to address these twin epidemics of the 21st century. Indeed according to the Lancet and the WHO, 1 in 3 adult in the world is overweight and 1 in 10 is obese. Moreover 41 million pre-school children are overweight. Glucose metabolism disorders cause 4 million deaths per year and the direct annual cost of diabetes globally amounts to USD 830 billion. This program encompasses three levers to multiply our impact: 1/ a partnership with UNICEF to foster children nutrition prevention (see below the paragraph “Corporate philanthropy and engagement”) that was announced at the Women Forum in November 2019, 2/ dedicated insurance products offering a chronic disease management program for people with diabetes, and 3/ a specific impact fund that will be raised in 2020 to invest in domains of prevention such as nutrition, physical activities or psychological support. In order to validate this program from a medical standpoint, AXA are is supported by an international Medical and Prevention Board composed of 7 international renowned experts in diabetology, nutrition, cardiology, endocrinology and psychiatry.

## *Inclusive economy and growth*

To respond to the growing urge of the population and the public sector that private sector take a more active role in bridging the gap of inequalities, AXA has embarked in 2019 in several coalitions for a more inclusive economy.

The first one, called “inclusive economy coalition” was launched back on December 18, 2018, when CEOs of major companies in France, including AXA's, signed a commitment in favor of a more inclusive economy and committed to a list of initiatives to complement government measures in favor of purchasing power. This collective commitment is one of the private sector's responses to the social vulnerabilities in France, as each of the signatories belong to sectors of the economy that directly address the concerns expressed by French people (e.g. energy, transports, financial services).

This collective of now 33 companies has set itself three working groups: 1- employment (apprenticeship, integration, training), 2- more accessible products and services, 3- inclusive purchasing. As far as the first working group is concerned, one of the main commitments of the coalition was a 35% increase in the number of work-study students between 2018 and 2020. In France, AXA recruited 1 927 work-study students in 2019 (+28% vs. 2017). With local associations, AXA also participated in events in various employment areas (Seine St-Denis, Bordeaux, Lyon, Marseille, Rouen, Strasbourg). As a result of these actions, about a hundred candidates were recruited. Finally, to meet the collective objective of +5 million hours of training in 2019 and 2020, AXA provided more than 78 000 days of training to all AXA employees in France.

The second working group worked on inclusive offers proposed individually or in partnerships within the coalition members. AXA has chosen to make Inclusion a dedicated pillars of our CSR strategy, through socially responsible investments, products and services that are more accessible to disadvantaged populations, and philanthropic support for actions in favor of education and access to employment.

With Renault and Total, AXA has launched a first initiative to reinforce access to driving licenses for young people in difficulty and in remote areas where mobility is critical given the lack of public transports. Free all risk insurance has been provided to five cars in “missions locales”, reaching 15-20 young people per mission (hence a total of 75–100 people driving each 2,000 km per year (total of 150,000 – 200,000 insured km). This project which was launched operationally in November 2019 also fosters employee engagement by identifying volunteers among AXA retired employees to supervise the young people among the Partners companies through AXA Hearts in Action.

The third working group wants to make the purchasing power of companies a lever for social inclusion and diversity, for the development of territories, VSE/SMEs and the social and solidarity economy.

At an international scale, AXA also joined the “Business for Inclusive Growth” coalition. This OECD-led coalition of private companies contributes to fighting social inequalities by working closely with policymakers to advance inclusion at both the global and local levels. This initiative was officially launched on August 23, 2019, at the G7 Summit whose theme is “fighting inequalities of all types”. This announcement will be followed by a 3-year-program monitored through a Board of CEOs. The scope of this initiative covers the G7, the OECD and African countries with three main deliverables:

a pledge signed in our head office on promoting equality of opportunities, eliminating gender disparities, reducing spatial inequalities;

an international incubator hosted at the OECD;

a global pool of funds hosted by the World Bank.

Through this coalition, AXA aims at scaling up inclusive growth project beyond France, complementing government measures to increase the purchasing power of the lower income people in developed countries and developing social business in our industry that directly addresses constrained expenses (Insurance represents on average 8% of low income households’ constrained expenses).

The AXA projects submitted to the incubator include among others the previously mentioned projects on Emerging Customers, Women and AXA Climate.,.

## CORPORATE PHILANTHROPY AND ENGAGEMENT

In line with our Sustainability Risk Assessment (described in Section 7.1 “General Information”), community involvement and corporate philanthropy have been identified as key enablers of AXA’s role as a responsible corporate citizen. As a result, AXA has developed and implemented various policies and initiatives, whose alignment with its responsible corporate citizenship strategy has been strengthened in 2019.

## *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 AXA operates.

In 2019, AXA has profoundly changed its corporate philanthropy policy, with the aim of better integrating it into its CR strategy and increasing its impact. A Corporate philanthropy committee has been set up to decide collectively on major partnerships based on precise criteria. The Group aligns its patronage with the three CR pillars: climate and the environment, health and disease prevention, social inequalities and inclusion. Through the Community Investment Guidelines, AXA entities are also encouraged to focus their philanthropic actions around these three pillars.

In 2019, almost 41% of the €45.3 million (€25.7 million in 2018) in donations made by the Group and entities (including the AXA Research Fund) were dedicated to projects on these themes.

concerning climate and environment, AXA has been supporting since 2011 the NGO Care, which acts to protect vulnerable populations in the face of climate change. In particular, AXA has supported the Where the Rain Falls program from the outset, which aims to better understand the impact of changes in rainfall (study phase in 8 countries between 2011 and 2013) and to help populations cope through an education and adaptation program (in India and Thailand between 2014 and 2019). As a result of this program, beneficiaries have notably seen an improvement in their agricultural productivity (+60%) and their ability to recover from extreme weather events such as drought and floods (+72%), compared to the situation they experienced before their participation;

in addition, AXA signed a new global partnership with WWF in 2019 to address Climate and Biodiversity issues. Through this three-year program, WWF supports AXA in its efforts to ensure that natural capital is better taken into account in all of our activities (see Section 7.3 “Climate change and biodiversity”). In addition, the philanthropy component of this program makes it possible to contribute directly to the preservation of ecosystems in Mexico and New Caledonia. In Mexico, the objective of the program supported is to demonstrate that it is possible to strike a balance between nature conservation, agricultural development and water use through a project to restore degraded forest. In New Caledonia, AXA wanted to support WWF’s conservation efforts to strengthen the resilience of coral reef biodiversity, which is now considered one of the most threatened ecosystems on the planet;

in 2019, the AXA Group has also entered into a new partnership with UNICEF under the “Health and Prevention” pillar. In order to respond to the global epidemic of overweight and obesity, this 3-year program allows for action on the ground in the Philippines and Brazil to prevent overweight and obesity from early childhood by promoting healthier eating habits. To reach children aged from 0 to 5, AXA acts on their immediate environment, namely mothers and the health and education professionals around them. Training, communication and advocacy activities with authorities will be implemented by local UNICEF teams. The objective is to support 177,000 children and their mothers in the Philippines and 16,000 in Brazil;

Prevention is also a component developed by our entities in connection with our insurance business. In 2019, efforts linked to prevention were up to €5.3 million, with two major contributors, France and Spain, developing ambitious programs. Risks related to road accidents are also covered, in connection with our motor insurance business. France, Spain, Switzerland and Mexico are notably developing awareness campaigns in this area, with an investment of €2 million;

finally, numerous actions are being carried out around the “Social Inequalities and Inclusion” pillar by all Group entities, particularly through the AXA Atout Cœur volunteer program (see below). 68% of the volunteer activities offered by AXA Atout Cœur and 54% of the sums paid out under the program are destined for projects designed to fight inequality. In France, for example, AXA supports the Pierre Claver association, which offers an intensive training program for statutory refugees who want to improve their mastery of the French language and culture, and thus find a job. Various entities run financial education programs (AXA Seguros in Mexico, AXA Krungthai in Thailand, etc.).

The AXA Group also redeployed a policy of asset philanthropy in 2019. Indeed, the values of protecting and passing on assets are at the heart of the insurance business. Joining forces with major French symbols of international stature, AXA financed the acquisition of a national treasure for the Musée d'Orsay, the restoration of the Salle des États of the Louvre Museum (where the Mona Lisa by Léonard de Vinci is exhibited), and joined forces with the global solidarity that was demonstrated during the dramatic fire at Notre-Dame de Paris in April 2019 (€10 million mobilized for its reconstruction). AXA entities, such as AXA France and AXA XL, are also developing heritage and cultural philanthropy actions, promoting access to heritage and culture for all (priority “social inequalities and inclusion”).

## *AXA Research Fund*

The AXA Research Fund, in line with AXA's societal mission and as part of a scientific philanthropy initiative launched in 2008, aims to support "transformative" research projects that explore solutions to the challenges society faces today. In line with the pillars of corporate responsibility, the AXA Research Fund's work covers the areas of health, climate and environment, and socio-economic issues/inclusion. It also develops the transversal pillar of new technologies. The selection of research projects is overseen by an independent Scientific Council.

In 2019, the Fund selected 4 AXA Chairs for a total amount of €4 million (€1 million per project over 5 years). The four selected areas of support are Invasive Species at the University of Paris Sud (France), Explainable Artificial Intelligence and Health with the University of Oxford (UK), Population-Stabilizing Portfolio Effects of Fine-Scale Environmental Variations in Natural Resource Availability to Malaria Vector Mosquitoes at the University of Cork (Ireland) and Communication Technologies and Molecular Information at Koç University (Turkey). The AXA Research Fund also selected a total of 18 post-doctoral fellows on the key topics of Marine Biodiversity (8 projects), Mental Health (6 projects), and Cyber Risk (4 projects) for a total of €2.25 million.

The AXA Research Fund continued to support strong initiatives around women through the Women, Leadership and Entrepreneurship Chair at IEP Paris and was vocal in the field of women's health. In particular, it confirmed its commitment to the research on the issue of equal access to healthcare and solutions to the gender health gap.

For the third consecutive year, the AXA Research Fund has partnered with the Red Cross Foundation to support research in the humanitarian field around the pillars of health and climate change; 8 African researchers were rewarded.

Beyond funding, the AXA Research Fund strengthened its dissemination efforts through two publications - "Silver Age: Aging Better" and "Biodiversity at Risk," that highlight the economic, social and biological problems of ageing and the loss of the natural world.

In September 2019, the AXA Fund and the Foresight Teams came together to integrate the scientific vision with that of future societal trends and to inform our role as responsible insurer more holistically.

## *Employee volunteering*

AXA Atout Cœur is the international volunteer program for AXA employees, in which they carry out activities on themes that have been aligned in 2019 (when new guidelines were released) with the 3 pillars of AXA's CR strategy. In 2019, nearly 39,000 employees (estimated – almost 34,000 in 2018) donated their time and skills. Contributing entities in 2019 represents 84% of AXA average FTEs.

In total, AXA employees completed 81,200 volunteering acts (66,500 in 2018), which represents more than 286,000 hours (200,700 in 2018) during the year, while working on solidarity projects. A large majority of volunteer hours are performed during working hours (more than 240,000 *versus* 157,000 in 2018).

Through AXA Atout Cœur program, the Group seeks to promote all forms of employee engagement, particularly skills-based philanthropy. In 2019, AXA France continued to develop the "AXA Expérience Solidaire" program: 110 employees volunteered in partner associations (*versus* 47 in 2018). In total, the salaries paid for the 109,300 hours spent on these skills sponsorship missions represent the equivalent of a donation of nearly 7.9 million euros (*versus* €4.5 million in 2018).

The integration of XL Group brings a positive synergy to the AXA Atout Cœur program in 2019, as the entity has also long been developing volunteer work and skills sponsorship among its employees. XL Group employees contributed to 42,800 volunteer hours, or 15% of the total number of hours in 2019.

Every year, AXA organizes a "Corporate Responsibility Week" (CR Week) that helps to amplify employee mobilization and promote the AXA Atout Cœur program and the diversity of our commitments around the world. In 2019, the estimated number of volunteering acts (on or off the job) reached 33,000 for a total of 93,000 hours in 43 countries. XL Group made a major contribution to the success of this edition of CR Week thanks to its Global Day Of Giving volunteer day (23% of participants and 57% of time spent).

A wide variety of activities were carried out by AXA employees, both during and outside of CR Week: for example, beach clean-ups, tree planting, support for disadvantaged young people or women in difficulty, solidarity races, and solidarity collections of toys or used mobile phones.

# 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 AXA operates, 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.

## Business ethics

### *Compliance & Ethics Guide*

AXA's Group Compliance and Ethics Code 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, anti-bribery and Corruption, insider trading, management of confidential information, etc. The Code is available on the Group's website (www.axa.com/en/newsroom/publications/compliance-ethics-guide). 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 & fight against corruption*

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" n°2016-1691 of December 9, 2016, on transparency, fight against corruption and modernization of economic life. 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 Directive 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, specifically business conduct risks, are assessed on an annual basis and the results and any necessary mitigation actions are developed and shared with senior management. Internal control processes have been developed to ensure controls are effective and cover entities' own operations and those of proprietary sales channels.

## 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).

The information related to AXA's policy and control mechanisms to address data privacy risks are explained in paragraph "Personal Data Protection "in Section 7.6 "Vigilance Plan". Information related to why AXA considers data privacy as a key risk topic is detailed in Sections 4.1 and 6.3.

In addition to our data privacy policies, AXA has developed cybersecurity capabilities. Indeed, security is a competitive advantage. 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, by investing in particular in innovative solutions, advanced technologies and solutions according to the security "by design" principle in order to remain among the best performing companies in terms of security. The deployment of its next-generation security operations center is an illustration of this. Moreover, AXA employees have a key role to play and are fully part of AXA security strategy. To make it an effective "first line of defense", safety training and awareness campaigns are deployed throughout the Group and aimed at all employees.

### *Responsible Artificial Intelligence*

AXA is one of the founding member of the French association Impact AI (Artificial Intelligence). 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.).

Within this organization, AXA is leading the Impact AI's Responsible AI Committee in charge of contributing to answer to "the trustworthy AI assessment list" from the High-Level Expert group on artificial intelligence (set up by the European Commission). The European Commission has published the "The Ethics Guidelines for Trustworthy Artificial Intelligence": these Guidelines put forward a human-centric approach on AI and list 7 key requirements that AI systems should meet in order to be trustworthy. These requirements will go through a piloting process expected to conclude with the presentation of an AI Policy paper in early 2020.

## *Data and Tech for good*

### GIVE DATA BACK

Leveraging the initial "Give Data Back" platform that was, back in 2017, one of the first illustrations of how to share our P&C claims data for free in a prevention perspective, the concept has been replicated in Singapore to explore accident hotspots, as well as in Mexico, where road data is shared with public institutions in order to improve road safety. These two initiatives are still outstanding. In Singapore, by sharing an analysis and consolidation of our claims and policy data for car accidents, users (both customers and non-customers) can better understand the risks on the roads they frequent and how they can avoid car accidents. With the same objective, AXA Mexico have helped Mexico City authorities secure dangerous crossroads through an interactive map of most dangerous crossroads and open dataset of car crashes (raw data) available for download for authorities through the International Institute for Data Science website. In 2019, follow-up projects included an impact survey with the National Health Institute on speed areas and bodily injury severity as well as the creation of a super database with a university.

### YOUTH AGAINST AIDS (YAA)

In order to build a sexual health and prevention platform for the young generation, AXA has decided to collaborate with Youth Against AIDS (YAA), an international youth-focused NGO. YAA develops innovative sexual health information and dialogue services for young people. To achieve their goals, the young team finds new paths to old challenges: unconventional and courageous. YAA networks with partners who play a role in the lives of the young target group and implement innovative formats with them - both online and locally. This ensures that YAA is present in the everyday life of young people. The organization's offers are open to everyone, easy to understand and always available. What is important to us: respectful interaction without fear of contact - with oneself and others. AXA creates awareness without fear.

Digital tools and technical innovations are creating new opportunities in the fight against sexually transmitted diseases. This is especially true for prevention amongst young people. YAA and AXA use the advantages of the omnipresence of smartphones and growing demand of digital services to reach young people regardless of location or time. The platform, called "FAQ YOU", includes a chatbot to answer the most common and pressing questions about sexual health and sexually transmitted diseases (FAQs) 24/7. The first version of the platform will be launched in the United States. Further tools and services will be integrated into the platform which will give young users guidance to services like conducting HIV tests, finding an STI clinic or condom dispensers or getting in touch with medical services via tele medicine. The platform aims to complement personal counseling services, which are often unavailable for young people, at a later stage.

In terms of collaboration, a core team of 12 AXA employees worked pro-bono in 2019 to develop the actual chatbot and website: 6 employees from AXA REV, 4 employees from AXA GO Digital in Barcelona, and 2 from AXA GO's CRM team in Paris.

The ambition of YAA is to cater to teens (ages 15-19) and young adults (ages 20-24) with a combined population of ~44 million youth in the United States during their first phase of rollout and marketing starting mid-July 2020.

## RESPONSIBLE PROCUREMENT

Translating AXA's CR strategy and commitments into its management of vendors is a continuous activity for AXA. This alignment means AXA includes CR topics to select and monitor its providers. This approach is articulated around two axes:

- **Responsible People & Processes:** all the AXA professionals working in a procurement department, in addition to the Group's Code of Professional Conduct, must sign a dedicated and reinforced Code of Ethics which promotes fairness and neutrality, confidentiality and transparency of our sourcing decisions. They also are aware of the AXA CR strategy and the AXA Responsible Procurement policy through awareness sessions given by the network of Responsible Procurement Champions identified in our various entities.
- **Responsible Vendors:** AXA requires from its vendors to be socially and environmentally responsible through the mandatory inclusion of a "Corporate Responsibility Clause" in all our contracts. It includes in particular complying with the principles of the International Labour 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, identified thanks to an internal CR Risks Matrix. Suppliers are thus classified into procurement risk categories and evaluated against five CR criteria (environment, social, product & services end-use impact, suppliers' supply chain, and business integrity). Vendors falling in the highest CR risks categories are asked to share their valid DJSI or EcoVadis scores or even follow an EcoVadis assessment.

responsibleresponsibleresponsibleDetailed 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. For more information on AXA's Tax policy, please refer to Section 6.3 "General Information", paragraph "AXA Group Tax policy".

## 7.6 Vigilance Plan

AXA Group is committed to promoting and protecting human rights (including fundamental freedoms, health and safety of persons), 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 2019.

The Vigilance Plan reinforces an existing internal system that already included a number of tools and procedures implemented within the Group.

### *Scope of the Vigilance Plan*

The Vigilance Plan refers to the activities of AXA Group companies, including intra-group activities and operations, and those of contractors and suppliers to AXA Group with whom there is an established business relationship.

Given the diversity of the activities of the subsidiaries, contractors and suppliers, the Vigilance Plan sets out certain guiding principles and AXA-wide policies designed to ensure that the Group companies and their employees have a common vision of the AXA Group's standards related to corporate responsibility, safety, whistleblowing and data protection and operate accordingly. These common measures do not prejudge any additional actions voluntarily undertaken by AXA on these same matters.

### *Identification and evaluation of risks to human rights and the environment*

To ensure that each identified potential risk is covered by a Group policy, AXA conducted an analysis to measure how the AXA Group's activities and operations potentially impact the environment and each of human rights. According to AXA, the definition of human rights includes the fundamental freedoms, health and people safety.

The work carried out by AXA to establish its mapping of corporate responsibility risks as well as the material non-financial risks identified by the Group today is presented in Section 7.1 "Introduction – Sustainability Risk Assessment" of this Annual Report.

#### HUMAN RIGHTS

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.

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[5] Law No. 2017-399 of March 27, 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.

Consequently, with the support of a consulting firm, the AXA Group developed in 2017 a human rights risks assessment that identified the most relevant risks to human rights that the AXA Group should consider in conducting its business. Identified risks are related to the following human rights: principles of equality before the law and non-discrimination (with respect to minorities), freedom from all forms of forced or compulsory labour, child protection, freedom of association, collective bargaining, the right to just and favourable working conditions, liberty and security of the person, the right to health and an adequate standard of living, and the right to privacy. This evaluation ("AXA SA Human rights risk assessment and recommendations to further improve AXA'S Human Rights policy") will be updated in 2020.

#### ENVIRONMENT

Environmental risks are already identified in the AXA Group's risk mapping, particularly those related to climate change and the erosion of biodiversity. 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 every year its impact on and identify risks to the environment from its activities. Please refer to Section 7.3 "Climate Change and biodiversity – Own Operations – Environmental reporting process and verification" of this Annual Report for further information on AXA's environmental reporting process.

In addition, as an investor, AXA had proactively implemented a Global Responsible Investment Policy, available on the AXA Group's website (www.axa.com/en/about-us/responsible-investment), 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 biodiversity – Investments" of this Annual Report for further information on AXA's investment strategy.

Moreover, as a business partner, AXA implemented processes to identify and assess risks of human rights violations and the environment associated with its use of service providers and suppliers. AXA implemented a CR Risk assessment of its suppliers, identified thanks to an internal CR Risks Matrix. Suppliers are thus classified into Procurement risk categories and evaluated against five CR criteria (environment, social, product & services end-use impact, suppliers' supply chain, and business integrity). Suppliers falling in the highest CR risks categories are annually asked to share their valid DJSI or EcoVadis scores or follow an EcoVadis assessment.

### *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 (www.axa.com/en/about-us/our-commitment-to-human-rights), aims at preventing the violation of human rights and reflects AXA's commitment to international general and sector-specific standards. The AXA Group is committed to respecting internationally recognized Human Rights principles as defined by the United Nations Universal Declaration of Human Rights, the core standards of the International Labour Organization and the Guiding Principles on Business and Human Rights (implementation of the United Nations "Protect, Respect and Remedy" Framework or "Ruggie Principles"). 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:

- 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. See further details on Diversity and Inclusion in Section 7.2 "Social Information – Diversity and Inclusion ambition and focus on gender balance" of this Annual Report;
- AXA Compliance & Ethics Code, available on the AXA Group's website (www.axa.com/en/newsroom/publications/compliance-ethics-guide), from which employees need to annually certify compliance.

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 safety, health and security

The AXA Group implemented safety, health and security standards with which all Group entities must certify compliance in order to protect employees against intentional, health or accidental risks related to their business activity.

These standards set out:

- processes to identify risks, depending on the specific characteristics of the environment and the activities of each entity;
- proactive and reactive measures to be implemented according to the identified risks (information, training, protective measures, incident management procedures and crisis plans);
- a performance measurement, reported quarterly to the central team of AXA Group.

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 (www.axa.com/en/about-us/our-commitments).

AXA was the first insurance group to have adopted privacy-related Binding Corporate Rules. These rules, available on the AXA Group's website (www.axa.com/en/about-us/our-commitments), define processing principles and actions (*e.g.* trainings, governance, responsibilities) adopted by AXA 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.

From 2016 to 2018, the AXA Group was 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 managed the usual activities of the GDPR and has used this experience to implement similar regulations recently adopted in countries outside the European Union. The AXA Group welcomed these new data privacy regulations which were 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 insured 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 biodiversity - 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 biodiversity - 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 (www.axa.com/en/about-us/environmental-policy), describes key actions aimed at reducing AXA's direct and indirect environmental impacts.

In particular, 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. The AXA's reduction of carbon emissions targets for 2018-2025 are based on an approach promoted by the "Science Based targets" initiative, to which AXA signed up to in 2015. Please refer to Section 7.3 "Climate Change and biodiversity – Investments" of this Annual Report for further details on the policy of reduction of carbon emissions.

AXA also seeks to minimize its indirect impact on the environment by offering customers insurance and investment solutions that promote environmentally-friendly behaviour.

Moreover, part of AXA's sites benefit from environmental certificates such as BREEAM, LEED, HQE. Please refer to Section 7.3 "Climate Change and biodiversity – Own Operations – 2019 performance overview - Power Consumption" of this Annual Report for further details on AXA's certifications.

Finally, please refer to Section 7.3 "Climate Change and biodiversity" of this Annual Report for further details on AXA's strategy, policy, targets and results for environment protection.

### 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 (www.axa.com/en/about-us/responsible-investment), the Group has in particular designed six 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, oil sands, palm oil production and soft commodity derivatives), and entities are required to certify compliance. Please refer to Section 7.3 "Climate Change and biodiversity - 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, contractors 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, or unethical. Alerts can be made within the relevant entity or also sent directly to the Group using 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 or has participated in establishing the facts confirming a misconduct by providing evidence.

Furthermore, all AXA Group companies are required to define internal regulations and other policies governing whistleblowing pursuant to local laws and regulations. In 2019, a global communication campaign, "Speak-up", was launched to refresh employee awareness of both the local and Group alert procedure. The purpose of the campaign was to strengthen the process, and to increase consistency and simplify the process across AXA. Various media tools were used to broadcast the campaign; to give it impact and make it available to all: newsletters, screen savers, posters, videos, training, formal presentation, etc.

## *Involvement of AXA stakeholders*

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 initiated by AXA.

## *Follow-up and report on effective implementation of the Vigilance Plan*

The AXA Group ensures the implementation of all policies and procedures described in this Vigilance Plan through a network of local correspondents including in Corporate Responsibility, Procurement, Data Privacy, Compliance, and physical Security.

In 2019, various working groups involving representatives from the Group Legal Department, the Corporate Responsibility Department, the Procurement Department, the Compliance Department, the Risk Management Department and the Human Resources 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. This action was continued in 2019, in particular thanks to training sessions organised for Corporate Responsibility. In 2020, trainings will be implemented in the Procurement network too.

In addition, in order to disseminate the 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 reporting process is based on pre-existing monitoring procedures and tools, in particular on (i) the Group CR team, which coordinates a network of dedicated environmental managers in local entities, and (ii) the Group Procurement team, which leads a network of purchasing managers spread throughout the Group's entities.

In 2019, through a survey conducted by the Corporate Responsibility Department, entities were asked their status in respect with the Vigilance Plan. Then, some entities were asked in particular:

- to discuss the provisions of the Vigilance Plan with their local Corporate Responsibility, Procurement, Legal, Compliance, Human Resources and Risk Management officers and to inform the Group whether their entity complies with it;
- if the entity does not comply with some items of the Vigilance Plan, to indicate the status of the corrective actions or remediation plans implemented for each measure;

- to mention whether a reporting process has been set up at entity's level to identify (i) the entity's internal practices, which do not comply with the Vigilance Plan, or (ii) any difficulties the entity foresees and/or encounters with regard to its local implementation.

This process enhanced 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 to confirm that, overall, the entities interviewed in 2019 have a good knowledge of the Vigilance Plan and are in compliance with its provisions. In this respect, the Group has identified 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 the appropriate corrective actions to implement locally, *e.g.*: inserting CR clauses in certain commercial contracts, hiring a consultant to carry out an accessibility survey of the entity's premises and then undertaking work and changes that meet the recommendations of the study, taking into account high-risk emergencies (earthquakes, floods, cyber-attacks, etc.) in crisis management guides, 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, security, human rights and environment at work and more generally, violation of laws, regulations and standards of the AXA Group.

At the date of this Annual Report, most of the alert procedures of the Group entities cover human rights and the Environment. However, 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.

**RESPONSIBLE PURCHASING BUSINESS**

In 2018, AXA launched a Vendor Risk program to reinforce its operational control and risk management of third parties. Please refer to Section 4.7 "Operational Risk" of this Annual Report for detailed information.

The AXA Group selected its panel of main suppliers in 2019 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 this 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. AXA teams have access to the corrective action plan through the platform. 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 "Platine" score in its last EcoVadis evaluation.

Most contracts concluded or renewed in 2019 included a "Corporate Responsibility clause" or "CR clause", requiring Group suppliers to be socially responsible and to abide by International Labour Organization standards that the Group is committed to respecting, including the core standards of the International Labor Organization. End of 2019, AXA undertook to review the CR clause in order to ensure that it satisfies the Group policy and the requirements of the Vigilance Plan. For more information about CR clause, please refer to Section 7.5 "Business behaviour – Responsible Procurement" of this Annual Report.

#### INVOLVEMENT OF AXA STAKEHOLDERS

In order to maintain its own culture of dialogue, AXA regularly maintains discussions with its various stakeholders at different levels.

With the aim of maintaining effective communication between employees and Management and a constructive social dialogue, the Vigilance Plan was again presented to employee representatives in 2019. 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 strives to strengthen the communication of its vigilance plan to its stakeholders, in particular by making it available on AXA's website (https://www.axa.com/en/about-us/our-commitment-to-human-rights).

# Contact us

**WEBSITE**

https://www.axabank.be/

**E-MAIL**

contact@axa.be

**JOIN US**

https://www.axabank.be/nl/jobs

**ON SOCIAL MEDIA**

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youtube.com/channel/UCnmpNgS6qpWhXQTC1CCpllQ/

facebook.com/AXABankBelgie

linkedin.com/company/axa-bank-belgium

FREE TRANSLATION FROM THE DUTCH AND FRENCH REPORT

# AXA BANK BELGIUM NV/SA

## Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2019

9 April 2020

## FREE TRANSLATION FROM THE DUTCH AND FRENCH REPORT

# STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF AXA BANK BELGIUM NV/SA ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of AXA Bank Belgium NV/SA (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 *d.d.* 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 Company's consolidated accounts for 21 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 2019, 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' 28.789.849 and a profit for the year of EUR '000' 49.624.

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 2019, 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 as approved by the IAASB which are applicable to the year-end and 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.

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**Emphasis of matter - subsequent event**

As far as the outbreak of COVID 19 is concerned, we draw your attention to point "Significant events after 2019" of the directors' report and Note 42 ("Events after balance sheet date") of the consolidated accounts in which the board of directors expresses their view that, although the consequences thereof may have a significant impact on the Group's operations in 2020, such consequences do not have a material impact on the Group's financial position for the year ended 31 December 2019. Our opinion is not qualified in respect of this matter.

**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>Credit risk and impairment of loans</u>

Description of the Key Audit Matter

The appropriateness of the impairment allowances for loans requires significant judgment of management. Measuring impairment allowances for loans 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 2019 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 at AXA Bank Belgium 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. As the loans represent the majority of AXA Bank Belgium'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 AXA Bank Belgium, 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 monitoring guidelines, and work performed by the internal validation team with the assistance of our credit risk experts. Additionally, we have reviewed the monitoring of the key parameters of the models and the adjustments to the macroeconomic 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 AXA Bank Belgium. We challenged the default triggers and the quantification including the valuation of underlying collateral and estimates of recovery on default. 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 AXA Bank Belgium's model approval and validation process. In our view, the impairments estimated by management are within a reasonable range of outcomes in view of the overall loans and the related uncertainties as disclosed in the consolidated accounts. Finally, we assessed the completeness and accuracy of the disclosures and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

<u>Estimation uncertainty from unobservable inputs in fair value measurement 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 AXA Bank Belgium. Details regarding the valuation of financial instruments at year-end 31 December 2019 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

AXA Bank Belgium has recognized significant amounts of deferred tax assets and liabilities (‘deferred taxes’). Details regarding deferred taxes at year-end 31 December 2019 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 (chapters: “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. On the other hand, the deferred taxes are driven by several temporary differences between IFRS and local taxation principles in different jurisdictions. The accuracy and completeness of deferred taxes is dependent on the adequate identification and treatment of these elements. Considering the complexity and interaction of the different drivers of deferred taxes and the potential significance in case of inadequate identification and treatment of these elements, we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

We have performed audit procedures on the process of identifying and accurately accounting for temporary differences between IFRS and local taxation principles and have performed substantive audit procedures with respect to the underlying taxation principles, the applied tax percentages and the mathematical accuracy of the underlying computations. We also 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.

***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. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

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 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.

## FREE TRANSLATION FROM THE DUTCH AND FRENCH REPORT

***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 directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' 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 3:32, §2 of the Companies' and Associations' 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, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, 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 directors' report on the consolidated accounts.

***Statements 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 3:65 of the Companies' and Associations' 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, 9 April 2020

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
Represented by

Gregory Joos
Réviseur d'Entreprises / Bedrijfsrevisor