AXA Bank Belgium

2020 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	2020.12	2019.12	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	323.055	306.024	
Interest income	1.193.122	2.000.012	
Financial assets held for trading (if accounted for separately)	716.543	1.464.382	
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	17.625	30.391	
Financial assets at amortised cost	428.652	449.344	
Derivatives - Hedge accounting, interest rate risk	20.823	46.925	
Other liabilities			
On liabilities	9.478	8.970	
(Interest expenses)	920.320	1.633.159	
Financial liabilities held for trading (if accounted for separately)	686.995	1.335.316	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	25.475	40.440	
Financial liabilities measured at amortised cost	88.503	103.579	
Derivatives - Hedge accounting, interest rate risk	112.785	145.242	
Other liabilities			
On assets	6.562	8.581	
Expenses on share capital repayable on demand			
Dividend income	345	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	345	900	
Investments in subsidiaries, joint ventures and associates other than accounted for using the equity method			
Fee and commission income	97.667	86.037	7
(Fee and commission expenses)	84.353	86.059	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss,	5.509	40.203	8
Financial assets at fair value through other comprehensive income	747	7.110	
Financial assets at amortised cost	4.776	33.094	
Financial liabilities measured at amortised cost	-14		
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	-50.875	-106.111	
Equity instruments and related derivatives	-15.176	4.344	
Interest rate instruments and related derivatives	-35.483	-126.438	
Foreign exchange trading	-216	15.984	
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)	17.096	-6.511	9
Gains (losses) from hedge accounting	44.909	4.365	10
Exchange differences , net	3.327	-11.478	
Gains (losses) on derecognition of assets other than held for sale, net			
Other operating net income	16.630	17.826	11

Consolidated income statement in '000 EUR	2020.12	2019.12	Disclosure
Administration costs	219.382	228.329	
Personnel expenses	86.770	92.534	13
General and administrative expenses	132.612	135.795	14
Depreciation	7.608	5.162	
Property, Plant and Equipment	2.945	2.253	23
Investment Properties			
Intangible fixed assets (other than goodwill)	4.664	2.909	24
Modification gains or (-) losses, net	-898		
Financial assets at fair value through other comprehensive income			
Financial assets at amortised cost	-898		
Provisions	-16.539	-6.432	
Impairment losses on financial assets not measured at fair value through profit or loss	24.802	9.346	
Financial assets at fair value through other comprehensive income			
Financial assets at amortised cost	24.802	9.346	15.2
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	86.903	69.619	
Tax expense (income) related to profit or loss from continuing operations	21.277	19.995	16
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	65.627	49.624	
Total profit or loss after tax from discontinued operations			
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	65.627	49.624	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	65.627	49.624	

Table CIS.1

The net interest margin decreased by EUR 94 million compared to the previous financial year. This net interest margin decrease mainly stems from the drop in intermediation activity (- EUR 84 million) and the drop in the securities portfolio (- EUR 13 million).

Consolidated statement of realised and non-realised results in '000 EUR	2020.12	2019.12	
PROFIT (LOSS) FOR THE YEAR	65.627	49.624	
NON-REALISED RESULTS			
Elements not transferrable to result	-971	-10.699	
Actuarial gains (losses) on defined benefit pension plans	-6.482	-13.296	(3)
Fair value changes of financial liabilities at fair value through profit or loss that is attributable to changes in their credit risk	6.395	-1.010	(4)
Fair value changes of equity instruments measured at fair value through other comprehensive income	-910	30	(5)
income tax related to previous elements	27	3.576	
Transferred to profit or loss	-4.924	-16.597	
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	-6.565	-22.170	(2)
Valuation gains/losses taken to equity	-18.996	-36.562	
Transferred to profit or loss	12.431	14.392	
Other reclassifications			
Income tax relating to components of other non-realised results	1.641	5.573	
TOTAL NON-REALISED RESULTS FOR THE YEAR	-5.895	-27.296	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	59.731	22.328	
Attributable to equity holders of the parent	59.731	22.328	
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)	2020.12	2019.12
Gross	0	0
Tax	0	0
Net	0	0

Financial assets at fair value through other comprehensive income (2)	2020.12	2019.12
Gross	-6.565	-22.170
Tax	1.641	5.573
Net	-4.924	-16.597

Actuarial gains (losses) on defined benefit plans (3)	2020.12	2019.12
Gross	-6.482	-13.296
Tax	1.621	3.324
Net	-4.862	-9.972

Fair value financial liabilities-own credit risk (4)	2020.12	2019.12
Gross	6.395	-1.010
Tax	-1.594	252
Net	4.801	-757

Fair value changes of equity instruments measured at fair value through other comprehensive income (5)	2020.12	2019.12
Gross	-910	30
Tax	0	0
Net	-910	30

Table CIS.3

Consolidated Balance Sheet

Consolidated Balance Sheet - Assets in '000 EUR	2020.12	2019.12	Annexes
Cash and balances with central banks	3.737.888	1.048.725	17
Financial assets held for trading	63.651	744.435	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	733.173	1.714.298	20
Financial assets at amortised cost *	24.597.018	24.176.566	21
Derivatives - hedge accounting	215	8.224	22
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1.101.248	876.868	
Tangible fixed assets	37.178	37.163	
Property, Plant and Equipment	37.178	37.163	23
Investment property			
Intangible fixed assets	18.430	16.700	
Goodwill			
Other intangible assets	18.430	16.700	24
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill)	9.254	12.137	25
Tax assets	27.409	26.282	
Current tax assets	242	196	16
Deferred tax assets	27.167	26.086	
Other assets	132.858	128.451	26
Non-current assets and disposal groups classified as held for sale			
TOTAL ASSETS	30.458.321	28.789.849	

Table CBS.1

(*) includes reverse repos for an amount of 0 million EUR in 2020 and 688 million EUR in 2019.
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). Given the fact there were no outstanding repo or reverse repo transaction at the end of 2020 no offsetting occurred. At the end of 2019 the impact of this offsetting amounted to 157.8 million EUR

Consolidated Balance Sheet - Liabilities in '000 EUR	2020.12	2019.12	Annexes
Financial liabilities held for trading	73.144	444.968	27
Financial liabilities designated at fair value through profit or loss	881.658	1.129.931	28
Financial liabilities measured at amortised cost	27.917.126	25.179.667	29
Deposits from Credit institutions	2.314	2.454	
Deposits from Other than credit institutions	21.350.843	19.571.863	
Debt certificates including bonds	6.335.553	4.716.902	
Subordinated liabilities	6.906	18.431	
Other financial liabilities	221.511	870.018	
Financial liabilities associated with transferred assets		499.795	30
Derivatives - hedge accounting	47.263	58.394	22
Fair value changes of the hedged items in a portfolio hedge of interest rate risk			
Provisions	234.205	240.151	31
Tax liabilities	26.016	25.536	
Current tax liabilities	22.143	25.332	16
Deferred tax liabilities	3.873	204	
Other liabilities	57.120	45.408	32
Liabilities included in disposal groups classified as held for sale			
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	**29.236.532**	**27.623.850**	

Table CBS.2

Consolidated Balance Sheet - Equity in '000 EUR	2020.12	2019.12	Annexes
Share capital	636.318	636.318	
Paid in capital	636.318	636.318	
Called up share capital			
Share premium			
Other Equity	90.000	90.677	
Equity component of combined financial instruments	90.000	90.000	
Other		677	
Non-realised results	-30.475	-24.580	
Items that will not be reclassified to profit and loss	-37.968	-36.997	
Tangible fixed assets			
Intangible fixed assets			
Actuarial gains/losses relating to defined benefit plans	-33.443	-28.581	
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	51	961	
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	-4.576	-9.377	
Items that may be reclassified to profit and loss	7.493	12.417	
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	7.493	12.417	
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)	460.319	413.960	
<Treasury shares>			
Income from current year	65.627	49.624	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	**1.221.789**	**1.165.999**	35
TOTAL LIABILITIES AND EQUITY	**30.458.321**	**28.789.849**	

Table CBS.3

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

2020-12	Gross value	Impact on taxes	net value
Eindbalans (vorig jaar)	17.516	-4.139	13.377
Investment brought in prior accounting periods			
Transfer to P&L following sale	-1.409	352	-1.057
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	13.840	-3.460	10.380
Foreign exchange impact	-1	0	-1
Adjustments in the current accounting period	-22.015	5.277	-16.738
Investments bought in the current accounting period			
Adjustements in the current accounting period	2.111	-528	1.583
Closing balance	10.042	-2.498	7.544

Table CBS.4

2019-12	Gross value	Impact on taxes	net value
Openingsbalans (lopend jaar)	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.5

Consolidated Statement of Changes in Equity

Sources of equity changes 2020.12 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	677	0	0	13.378	-28.581	-9.377	0	413.960	49.624	1.165.999
changes in capital												0
issuance												0
profit (loss)											65.627	65.627
Dividends declared and other remunerations										-3.266		-3.266
Change in fair value of financial assets at fair value through other comprehensive income						-5.834						-5.834
changes in fair value							-4.862	4.801				-61
cash flow hedges												0
releases to retained earnings										49.624	-49.624	0
capital reduction												0
other			-677							2		-675
Closing balance	636.318	90.000	0	0	0	7.544	-33.443	-4.576	0	460.319	65.627	1.221.789

Table CSCE.2

* of which 65.6 million EUR attributable to the shareholders of the parent company

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												
issuance												
profit (loss)											49.624	**49.624**
Dividends declared												
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												
releases to retained earnings										44.448	-44.937	**-489**
capital reduction	0											
other												
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.2

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

Consolidated Cash Flow Statement

OPERATING ACTIVITIES	2020.12 in '000 EUR	2019.12 in '000 EUR
Net profit (loss)	65.627	49.624
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	51.901	-100.728
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	21.277	19.995
Unrealised foreign currency gains and losses		
FV through P&L	30.624	-120.723
INVESTING AND FINANCING	18.755	-4.061
Depreciation	10.492	-6.975
Impairment	24.802	9.346
Provisions net	-16.539	-6.432
Other adjustments	-4.014	-12.063
Cash flows from operating profits before changes in operating assets and liabilities	132.269	-67.228
Decrease (increase) in working capital (excl. cash & cash equivalents):	2.592.026	735.890
Decrease (increase) in operating assets (excl. cash & cash equivalents):	1.192.031	-749.266
Decrease (increase) in balances with central banks		
Decrease (increase) in financial assets at amortised cost	-446.152	-1.368.592
Decrease (increase) in financial assets at fair value through other comprehensive income	976.201	588.402
Decrease (increase) in financial assets held for trading	680.784	29.341
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	8.009	9.360
Decrease (increase) in other assets (definition balance sheet)	-26.811	-7.777
OPERATING ACTIVITIES	2020.12 in '000 EUR	2019.12 in '000 EUR
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	1.399.995	1.485.156
Increase (decrease) in deposits from credit institutions and central banks	941.550	988.643
Increase (decrease) in deposits (other than credit institutions)	837.291	396.060
Increase (decrease) in debt certificates (including bonds)	1.618.651	-104.654
Increase (decrease) in financial liabilities held for trading	-383.748	208.369
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-266.974	-81.316
Increase (decrease) in liability-derivatives, hedge accounting	-235.511	-483.723
Increase (decrease) in other financial liabilities	-1.148.302	539.367
Increase (decrease) in other liabilities (definition balance sheet)	37.038	22.410
	2.724.296	668.662
Income taxes (paid) refunded	-14.254	-6.959
Net cash flow from operating activities	2.710.042	661.703

INVESTING ACTIVITIES	2020.12 in '000 EUR	2019.12 in '000 EUR
(Cash payments to acquire tangible assets)	-2.959	-2.119
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-6.394	-6.351
Net cash flow from investing activities	**-9.353**	**-8.470**

FINANCING ACTIVITIES	2020.12 in '000 EUR	2019.12 in '000 EUR
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-11.526	-8.362
Cash proceeds from issuing shares or other equity instruments		
Net cash flow from financing activities	**-11.526**	**-8.362**
Effect of exchange rate changes on cash and cash equivalents		

	2020.12 in '000 EUR	2019.12 in '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	2.689.162	644.871
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1.048.726	403.854
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3.737.888	1.048.725
Components of cash and cash equivalents:		
On hand (cash)	58.739	70.595
Cash and balances with central banks	3.607.585	937.036
Financial assets at amortised cost	71.564	41.094
Financial assets at fair value through other comprehensive income		
Total cash and cash equivalents at end of the period	**3.737.888**	**1.048.725**
Of which: amount of cash and cash equivalents held by the enterprise, but not available for use by the group		
Undrawn borrowing facilities (with breakdown if material)		
Supplemental disclosures of operating cash flow information:		
Interest income received	1.193.121	2.000.012
Dividend income received	345	900
Interest expense paid	920.320	1.633.158

Cash and cash equivalents increased by 2,689 million EUR in 2020, mainly due to an increase in cash and balances with central banks (+ 2670.5 million EUR) and an increase in financial assets at amortised cost (nostro accounts) of 30.5 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 2,710.0 million EUR. On the one hand, the cash flows from operating profits contribute by 132.2 million EUR.
In addition, cash flows resulting from the asset and liability changes (working capital) reflected a net increase of 2,592.0 million EUR.

- Operating assets decreased by 1,192.0 million EUR, leading to an increase in cash flows:
  - on one hand we have the increase in financial assets at amortised cost (+ 446.2 million EUR) which was mainly driven by the increase in credit production (+ 1,390 million EUR), offset by a decrease in the reverse repo activity that was reduced to zero at year-end (- 688 million EUR) and the decrease in the given 'cash collateral' (- 247 million EUR) in the context of derivatives and repo transactions, which is also related with the phasing out of both activities.
  - on the other hand we have the decrease in financial assets at fair value through other comprehensive income (OCI) (- 976.2 million EUR), mainly explaind by bonds maturing (1 bio €).

- finally we see a decrease in financial assets held for trading (- 680.8 million EUR) which mainly dealing with a drop in the derivative transactions were entered into in connection with the intermediation of the bank that has been phased out (- 572 million EUR)

- operating liabilities also increase with 1,400.0 million EUR which led to an increase in cashflows mainly due to:
  - increase in deposits from credit institutions and central banks: 941.6 million EUR with as important element the entry into the 4th tranche of the targeted long-term refinancing operations with the European Central Bank (TLTRO operations) for an amount of 1,060 million EUR
  - increase in deposits other than credit institutions and central banks: 837.3 million EUR
  - increase in debt security-based debts, related to the issue of new covered bonds and to a lesser extent in credit linked notes : 1,618.7 million EUR

  Those increases are partly offset by :

  - decrease in financial liabilities held for trading: - 383.7 million EUR, which also relates, as on asset side, to the reduction of the intermediation activity of derivatives.
  - decrease in financial liabilties designated at fair value through profit or loss with – 267 mio € mainly the consequence of EMTNs that have been repurchased and settled (- 192 mio €)
  - decrease as a result of hedging transactions (both on asset and liabilities elements): - 235.5 million EUR
  - decrease in other financial liabilities: - 1,148.3 million EUR explained by the evolution of the repo activity that was reduced to zero at the end of the year (- 500 mio €) and the decrease in cash collateral received, which is related to the reduction in the intermediation activity and the reverse repos (- 584 mio €) .

Investments resulted in a further decrease of cash and cash equivalents of – 9.3 million EUR, mainly situated in the increase in intangible assets (+ 6.4 million EUR) as a result of further investments in the various IT-projects within the bank.

The financing activities resulted in a decrease of cash and cash equivalents of – 11.5 million EUR, due to the repayment of subordinated loans.

Notes to the Consolidated Financial Statements

1 General

At 31 December 2020, 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 as well as Caspr S.à r.l., founded in 2020

The Motor Finance Company subsidiary merged with AXA Bank Belgium during the 2020 financial year and therefore only the Beran NV subsidiary is not included in the consolidation circle, given its negligible significance (see more about this in Chapter 2.1 Consolidation principles)

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

AXA Bank Belgium is part of the AXA Group, a leading international bank-insurer with 100 million customers, with 160 000 employees in 62 countries. Worldwide, AXA is the number 1 insurance brand and AXA Bank Belgium is a strong financial player in Belgium. AXA Bank and Insurance work closely together to market the AXA brand as strongly as possible.

AXA Bank Belgium is the sixth Belgian bank based on assets (30 billion euros, of which 22 billion euros in loans to customers). AXA Bank Belgium offers a range of banking products for individuals and loans to 860 000 customers. These are mainly loans, investment solutions, current banking transactions and securities accounts. AXA Bank employs 850 people and distributes its products through a network of 400 banking agencies throughout Belgium.

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.
In assessing control, in addition to the participation interest, the objective of the undertaking, its relevant activities and the possibility of influencing those relevant activities and the related revenues are all taken into consideration.
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, SPV Royal Street NV and Caspr S.a.r.l. 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 :

- more than 30 days late payment, not counting the deferral of payments within the framework of the measures developed by the Government and the banks to temporarily support businesses, self-employed persons and families.
- tolerance measures ('forbearance') other than the deferral of payment mentioned in the previous paragraph
- the negative report in the Belgian Credit Centre
- a second request for deferral of payments within the framework of the measures developed by the Government and the banks to temporarily support businesses, self-employed persons and families
- internal scoring based on:
    - combination of a request for deferral of payments with observation of a changing behaviour in the current account
    - for professional loans, an addition of an external scale-up indicating the extent to which a professional customer may or may not be crisis-proof.

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 of 'material' past due : there is more than 90 days of past due payment on a credit obligation vis-vis AXA Bank Belgium where materiality is assessed based on 2 thresholds (the deferral of payments within the framework of the measures developed by the government and the banks to temporarily support businesses, self-employed persons and families is not included):
  - an absolute threshold: overdue credit amount > €100
  - a relative threshold: overdue credit amount > 1 % of the outstanding credit on the balance
- ‘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' means at least 2 years since the granting of forbearance measures or the moment when the forborne credit is again considered 'performing' (this is in case credits with forbearance measures nevertheless fall into the status of default);
- 'default': means 3 months (from the moment that the credit commitment is no longer more than 90 days past due, or the 'unlikely to pay' status.

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.

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

Non-retail

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

Acceptable Credit Risk

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

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

With non-retail:

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

Forbearance Measures

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

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

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

When there are no indications that the debtor is in financial difficulties, the concession is not to be treated as forborne. By example, if the consumer asks for a reduction of his interest rate otherwise he will resign his loan, this is not forbearance even if it is a concession.

The forbearance classification on performing expositions can be stopped when all the following conditions are met:

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

Derecognition

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

2.2.2.6 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.

Deferred tax through OCI

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 Governmental grant

AXA Bank Belgium considers the ECB as a supra-national public institution within the European Union to be a body equal to local, national or international authorities, public institutions.

The more favourable conditions included in its longer-term refinancing operations are therefore considered as governmental grant. The value of the benefit is determined as the difference between the amount received and the initial value of the loan in accordance with IFRS 9 – Financial instruments.
These are expressed on the balance sheet as soon as it can be reasonably stated that:

- AXA Bank Belgium will fulfil the conditions attached to the grant;
- the grants will be received

They are systematically recognised as revenues in the income statement for the periods during which the related costs they aim to offset, are included

2.13 Other Assets and Liabilities

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

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

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

2.14 Supplementary Information

2.14.1 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.

2.14.2 Interim Financial Reporting

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

2.14.3 Changes in Accounting Policies and Accounting Estimates

When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate in accordance with 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 2020 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 2020 are unchanged compared to last year with exception of :

- addition under item 2.1 that the assessment of control in addition to the participation interest also considers the objective of the company, its relevant activities and the possibility of influencing these relevant activities and the associated revenues.
- adjustments to item '2.2.5. Impairments' following the implementation at AXA Bank Belgium of the new definition of default in order to align it with the definition used by the European banking authority EBA
- addition of item '2.12 Governmental grant' to clarify the treatment of the longer financing operations (TLTRO) at AXA Bank Belgium

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 2020

- *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. This has no direct impact at AXA Bank Belgium

- *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.

- *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 recently issued phase 2 amendments (see further), 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 €ster reference rate plus a fixed margin of 8.5 basis points. The use of this fixed margin also currently brings to an end any uncertainties with regard to the analysis of future expectations.

At this stage as of 31 December 2020 AXA Bank Belgium didn't concluded any new contracts with reference towards the €ster rate nor has it migrated contracts towards a new benchmark reference rate. AXA Bank Belgium currently doesn't t use the temporary reliefs provided for in phase 1.

- Amendment on IFRS 16 – Covid 19 related rent concessions, published in May 2020 and applicable for annual reporting periods beginning or after 1 June 2020 or immediately permitted if necessary. No impact for AXA Bank Belgium given no rent concessions were given or received.

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:

- The Board also extended the expiry date for the temporary exemption from IFRS 9 by two years to annual periods beginning on or after 1 January2023. The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of IFRS 17 'Insurance Contracts', which replaces IFRS 4 'Insurance Contracts' (see further).

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. Accordingly the following subjects still have to be accepted.

- Amendment to the IFRS 9, IAS39, IFRS 4, IFRS 16 and IFRS7 standards (1 January 2023, early application permitted)– Reference interest rates reform (phase 2) address problems relating to the replacement itself of these reference interest rates. Amendments are related to :

    - changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
    - hedge accounting; and
    - disclosures

  and only applicable to changes to financial instruments and hedging relationships if they are a direct consequence of the interest rate benchmark reform.

  The practical expedient related to the treatment of modification of cash flows for financial assets measured at amortised cost is not relevant for AXA Bank Belgium given the only elements in this category impacted by this benchmark rate reform are some variable loans in the professional segment which of course have already a floating behaviour.

  As foreseen, on the derivative activity no replacement occurred during last year 2020 and in consequence AXA Bank Belgium didn't apply the early application. It is of course foreseen that AXA Bank Belgium will make use of the amendments in 2021 when replacement is foreseen (e.g. hedge documentation will be updated without leading to hedge discontinuation, use of subgroups when applying hedge requirements on a group of items,...)

- New IRS 17 standard – *Insurance Contracts*, published on 18 May 2017 and the amendments of June 2020 applicable to from 1 January 2023. This standard establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of the standard and the amendments further clarifying those requirements.

In June 2020, the Board deferred the effective date of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.

As mentioned earlier given that the bank does not conduct its own insurance activities there is no impact for AXA Bank Belgium expected

- The amendments to *IAS37 Onerous Contracts - Costs of Fullfilling a Contract (effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022)* specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

  At the launch of every new banking product a profitability and pricing assessment is performed by AXA Bank Belgium and as such no onerous contracts are expected

- *Annual improvements to IFRS standards 2018 – 2020 (1 January 2022 - except the modification of the illustrative example which takes effect immediately)*

  - The amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards' simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
  - The amendment to IFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
  - The amendment to Illustrative Example 13 accompanying IFRS 16 'Leases' removes potential for confusion regarding lease incentives.
  - The amendment to IAS 41 'Agriculture' removed a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

  Those amendments are not expected to have a major impact taking into account the current activities and products.

- Following amendments are also expected not having an impact based on our current activities :

  The International Accounting Standards Board tentatively decided to amend *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (1 January 2023, early adoption permitted)* to introduce a definition of ‘accounting estimates’ and provide other clarifications to help entities distinguish accounting policies from accounting estimates.

  The Board is also proposing to amend paragraphs 117–122 of *IAS 1 Presentation of Financial Statements (1 January, early adoption permitted)* to require entities to disclose their material accounting policies rather than their significant accounting policies. To support this proposed amendment the Board is also proposing to amend *IFRS Practice Statement 2 Making Materiality Judgements* (Materiality Practice Statement) to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy disclosures.

  Those amendments will certainly assist us in our future judgements regarding materiality and classification of topics related to the above but they will have no immediate impact.

  Given the fact that AXA Bank Belgium is a financial institution for which a current/non-current presentation is not really relevant the other amendments to *IAS 1 Presentation of Financial Statements* for classifying a liability as non-current is also not having an impact.

  The amendments to IAS 16 *Property, Plant and Equipment (1 January 2022)* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. AXA Bank Belgium has currently no equipment for which any proceed would be received while the asset is still being prepared for its intended use.

  Reference to the Conceptual Framework - Amendments to *IFRS 3 Business Combinations (1 January 2022, earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by ‘Amendments to References to the Conceptual Framework in IFRS Standards’, issued in March 2018)* replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version.

4 Risk Management

4.1 Introduction

4.1.1 Risk management in a COVID-19 context

In 2020, the COVID-19 pandemic severely affected macro-economic conditions and caused significant turmoil in financial markets. As the stress situation unfolded throughout 2020, it was important to respond in a timely and appropriate manner. Unlike the financial crisis, banks were now part of the solution.

4.1.1.1 Internal governance

In the light of the fast-evolving crisis, AXA Bank Belgium's management has taken multiple actions in 2020 to steer the bank during these challenging times. This includes:

- The activation of AXA Bank Belgium's Crisis Management Team (CMT) which deals with the operational component of the crisis. The health and safety of AXA Bank Belgium's staff, agents and clients was priority number one. Furthermore, the operational resilience of the bank was key to guarantee the continuity of our services to agents and clients on the one hand and to stakeholders like the regulator on the other hand. AXA Bank Belgium showed a good operational resilience throughout the whole crisis period.
- A joint task force reporting to the Chief Credit Officer (CCO) and Chief Risk Officer (CRO) has been created to govern all credit risk action regarding the COVID-19 crisis. The task force oversees actions in six domains (listed below) which enables AXA Bank Belgium to play its role in this unprecedented crisis and keep the right balance by providing support to viable clients and by managing risk in an effective way.
  - Proactive client monitoring and preventive management: Identification and proactively contacting vulnerable clients to gain additional information for risk assessment and install preventive measures;
  - Monitoring: continuously performing analyses on the portfolio for mortgage, professional and consumer loans with special attention to the moratorium portfolio as well as looking for additional risk indicators internally and externally;
  - Forecasting and financial impact: updating of the macro-economic scenarios under IFRS 9 and assessing the resulting impact with a challenger model, implementation of a management overlay to compensate for the accuracy of forecasted losses;
  - Governmental measure: implementing changes relating to governmental measures, e.g. production of loans under state guarantee, payment suspension under moratorium;
  - Decisioning and treatment: temporary revision of IFRS 9 staging criteria for loans with payment suspension, revised classification into forbearance and UTP using additional risk indicators to supplement the bank's rating system;
  - IT changes: making sure that the appropriate IT changes in the front- and back-office are implemented.
- As from March 13, the majority of AXA Bank Belgium's staff is on homework effective immediately. A successful (remote) IT-release was performed in the weekend of March 15. The return to office program is contingent on the measures of Belgian's national security council.
- On top of the normal risk governance and the crisis management governance (CMT), AXA Bank Belgium has also put in place a financial risk cockpit meeting each Monday and Thursday to discuss the evolution of the crisis during the first weeks and months of the crisis. The cockpit consisted of AXA Bank Belgium's CEO, CFO, CRO, Chief Credit Officer, the head of SPPM and the head of ERM.

  The cockpit was active until mid-July when the crisis became more stable and discussed:
  - The scenarios that should further be explored and the resulting impact of those scenarios on capital and liquidity indicators;
  - The capital and liquidity measures taken by the supervisory authorities (ECB and JST) and their integration in the ICAAP/ILAAP exercise;
  - Reassessment of capital and liquidity management actions and recovery options under a COVID-19 pandemic scenario.
- A regular follow-up of all aspects of the COVID-19 pandemic was put in place via a COVID-19 dashboard. This dashboard focuses both on operational resilience (physical security, business continuity management and financial crime) and financial resilience (assessment of AXA Bank Belgium's liquidity and capital position and the follow-up on loan management and credit losses). The dashboard served as the reporting to the Management Board, Risk Committee, AXA group Risk and to the JST. Recurrent meetings with AXA Bank Belgium's supervisors were organised throughout 2020 where this evolution of the COVID-19 crisis was discussed.

- During this time of crisis, AXA Bank Belgium keeps its continued focus on clients via:
    - Ensuring the continuity of the payment system;
    - Providing support and reassurance to clients;
    - Enhancing accessibility for clients via the contact centre and network (via appointment only).

From an operational point of view, AXA Bank Belgium successfully transferred to a full telework regime under COVID-19. A return to office strategy has been put in place but is conditional on the evolution of the COVID-19 crisis. Extra attention is given to the monitoring of the well-being of staff.

From a financial risk point of view, the crisis rather boiled down to a credit risk event. AXA Bank Belgium's quality of portfolio remains high so far. Expected losses are higher than the last years with exceptionally low credit losses; yet still rather moderate thanks to the rather low risk portfolio which is well collateralized with immovable assets (mainly residential properties). The focus is currently installed towards certain riskier segments to further quantify and mitigate risks. No material evolution in monthly delinquency rates can be seen yet. From a liquidity point of view, AXA Bank Belgium does not face material deposit outflows. AXA Bank Belgium is able to project adequate capital ratios under plausible macro-economic scenarios.

Regarding COVID-19 impact on the different types of risks AXA Bank Belgium incurs, we refer to those type of risk dedicated sections of this chapter.

4.1.1.2 External measures

In order to safeguard the strong liquidity and solvency position of the bank in times of crisis, a constant monitoring of the liquidity and solvency situation and an estimation of the impact of the crisis on credit losses is essential. AXA Bank Belgium does this by a constant follow-up of the evolving situation and an assessment of all government and supervisory measures and their impact on the clients and the financial situation of the bank. In order to respond to the pandemic and its adverse economic effects, multiple authorities have taken measures. The two most important measures for AXA Bank Belgium that were taken by the Belgian government were the instalment of payment deferrals via a moratorium and loans under state guarantee for professionals (liquidity lines partially covered by a government guarantee). See section 4.4.1.1.1 for the quantitative impact of the COVID-19 crisis.

A first measure taken by the Belgian government is a deferral of payments (moratorium) for mortgage and professional loans:

- Initially, payments (from April 2020) could be deferred for up to six months (until 31 October at the latest) for mortgage and professional loans. Clients requesting suspension after 30 April could only benefit until 31 October (e.g. not a full 6 months):
    - For mortgage clients, it implied a suspension of capital and interest payment (not retroactively and no file costs) and was available for clients respecting all of the following conditions:
        - No payment delay on the first of February 2020 (client was not yet having financial difficulties before the crisis);
        - Client had to prove that he/she is impacted by the COVID-19 crisis (e.g. (technical) unemployment, illness);
        - The mortgage was for their own and only house and it should be his current residence (no relief measures for buy-to-let or second houses);
        - Client had to declare that he does not have a financial buffer > € 25,000 (current account, deposits, invest, excluding pension savings).
    - Within the set of clients eligible for the moratorium, a subset of "vulnerable clients" was identified. Those clients have a net available income below € 1,700. For those clients, the bank could not charge the interest of the 6 month period. The 6 month period was not due. This means that for the "non-vulnerable" clients, the interest was not paid during the moratorium, but is due (to be compensated by the client at a later moment). The difference between "interest being due" and "interest not being due" is important as "interest not being due" creates an impact in the P&L of 2020 by means of a modification loss as mentioned in section 4.4.1.1.1.1.
    - For professional loans there was no suspension of interest payments possible, only suspension of capital instalments (hence no modification loss). It was applicable for clients impacted by the crisis:
        - Liquidity issues: lower turnover, temporary unemployment of staff, closure imposed by government instructions;
        - It must be a Belgian based entity;
        - No payment delay on 1st of February 2020 and no payment delay for 12 months.
- This first Charter for business and mortgage credit deferral was extended until the end of 2020. Consequently, all loans that were in the first charter had the right to ask for further payment deferral until 31 December 2020. This extension could only be requested during September 2020.
- In December 2020, it was decided to allow general payment deferrals to mortgage and professional clients once again. This with the condition that the combined deferrals granted under both Charters never exceeds 9 months. The second Charter for business and mortgage credit deferral will come into effect as of January 1st, 2021 although requests were already possible

in December 2020. Moratorium 2.0 can be requested up to the end of March and is limited to payment deferrals of maximum 3 months:
    - For mortgage loans, a distinction is still made between interest suspension with and without recuperations, depending on the vulnerability of the client (< €1,700 net income after credit charges).
    - For professional loans, only suspension of capital instalments (hence no modification loss) are possible.
- In February 2021, it was made official that there will be a third Charter of payment deferrals towards professional clients that have difficulties with paying back their credit due to the COVID-19 crisis. This charter is only applicable for professional clients that reached the maximum maturity of nine months payment deferral under the first two Charters. These clients can request further capital suspension until the end of June 2021.

Next to the moratorium for mortgage and professional loans, AXA Bank Belgium also granted moratorium for consumer loans. This had a non-material impact on AXA Bank Belgium.

During the moratorium and in line with regulatory guidance, days past due counting stops and hence there is no need to mention credits to the credit bureau. Additionally, in line with regulatory guidance, per December 31st, 2020 loans under the moratorium are not automatically flagged as forborne as explained in 4.4.1.1.1.2. In addition, temporary liquidity issues due to COVID-19 are not a reason to put loans in stage 2 under IFRS 9 see also section 4.4.1.1.1.2. A detailed analysis on these topics was made internally and is used as the basis of a segmentation of clients regarding staging and forbearance. For mortgage clients that are eligible for the moratorium, banks will not convert mandates into mortgage inscription during the moratorium period. Banks can convert in exceptional cases, but then the costs are to be borne by the bank (and not by the client).

Next to the deferral of payments, the Belgian government also wanted to ensure that banks play their role as provider of liquidity to professionals affected by the COVID-19 pandemic. That is why the Belgian government activated a support package of € 50 billion bridge loans split in two guarantee schemes. These two guarantee schemes can only be used for new loans and credit lines granted by banks (not valid for refinancing loans).

- The first payment guarantee scheme consists of a package of € 40 billion bridge loans (with a maximum tenor of 12 months) partially guaranteed by the government to support enterprises and self-employed persons with temporary liquidity issues caused by the COVID-19 crisis. Loans under state guarantee type I could be granted to viable non-financial businesses, SME's, self-employed persons until 31 December 2020. Each Belgian bank should take a share equal to the current share of outstanding professional loans.
  The guarantee scheme for the pool of supporting bridge loans per bank is the following:
    - First 3% of the loss born by the bank;
    - For the tranche 3%-5%: 50% of the loss born by the bank and 50% by the government;
    - Above 5%: 20% of the loss born by the bank and 80% by the government.
- The second payment scheme contains loans with a maximum joint principal of € 10 billion. Similar to the first payment guarantee scheme, each Belgian bank should take an equal share to their current share of outstanding professional loans. Granting of loans under state guarantee type II is possible until 30 June 2021 (with a maximum term of 5 years). All newly granted loans and credit lines to small or medium-sized non-financial enterprises with a term between 1 or 5 years are eligible for this payment scheme.
  The guarantee scheme for the pool of supporting bridge loans per bank is the following:
    - First 80% of the loss born by government;
    - Remaining 20% borne by the bank.

Next to the measures taken by the Belgian government, AXA Bank Belgium's regulators (ECB and NBB) have also taken measures in order to support banks in these challenging times.

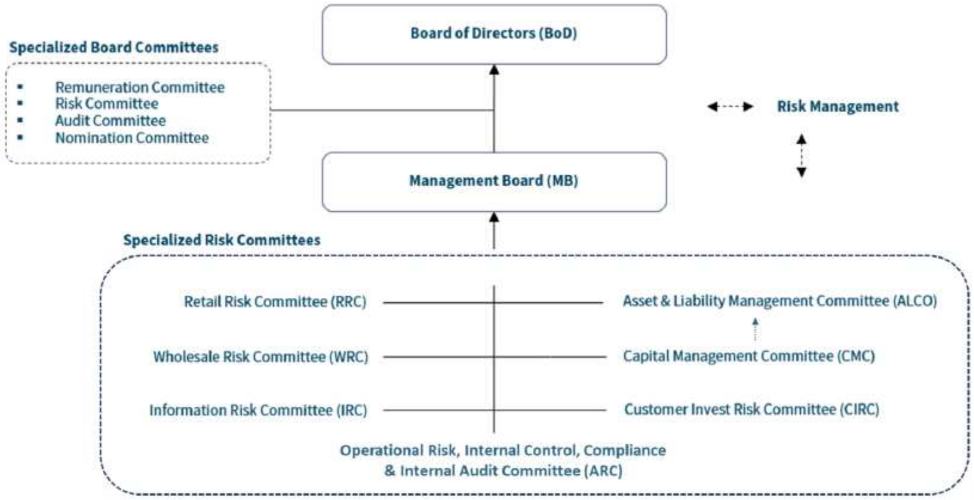
4.1.2 Risk Management framework

In the exceptional conditions of 2020, AXA Bank Belgium 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.

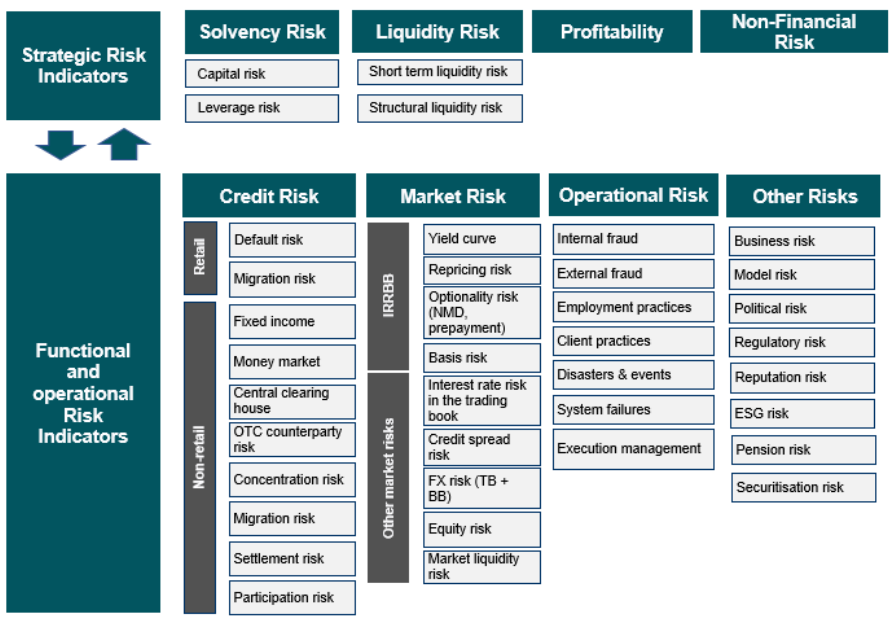
Risk governance structure

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. AXA Bank Belgium's risk management governance and organization are illustrated below.



Risk assessment process and risk appetite framework

AXA Bank Belgium 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 leads to a risk taxonomy where all material risks AXA Bank Belgium faces are identified.



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's 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 specialized 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.

For capital and liquidity financial risks, next to the regulatory framework, the risks are also subject to an economic framework that generates forecasts covering different horizons. The economic capital is distributed to all activities of the bank, and this based on the AXA Bank Belgium’s 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. The bank also developed an internal liquidity approach to follow-up on its liquidity position. 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, AXA Bank Belgium performs a global assessment which ensures that management takes a moment to assess the current status of the bank’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. Complimentary to the global assessment, which is rather focused on financial risks, the annual Internal control process results in Internal Control report. 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 AXA Bank Belgium as part of the risk management process, taking into account the applicable regulation. The scope of the program extends to all entities managed or controlled by AXA Bank Belgium. When performing stress tests all material risk domains of all entities in the scope of the program are taken into account.

Risk data, aggregation and IT systems

Management, control and monitoring of risk data, aggregation and IT systems further improved in 2020 with a further continuation planned in 2021. AXA Bank Belgium 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, first the focus will lay on the more important risk categories to which AXA Bank Belgium was exposed to in 2020, 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 chapter 4.7. For more details concerning the other risks we also refer to 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 2020 Consolidated Financial Statements of AXA Bank Belgium, is only a summary of the extensive communication in the Risk Disclosure report.

4.2 Solvency Risk

4.2.1 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[2] and the scope of the risks that are covered[3].

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 on top of that the required economic capital is quarterly calculated and used in a number of internal reports and incorporated in the risk appetite. 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.

In the context of COVID-19, AXA Bank Belgium performed a more frequent update of its capital forecasts, due to changes in macro-economic forecasts. In June 2020 and August 2020, AXA Bank Belgium performed an update on the ICAAP figures, to reflect the changes in macro-economic scenarios, interest rate levels and expected business volumes. In addition to the normal yearly strategic planning process, a final update of the capital plan was performed in December 2020. AXA Bank Belgium is able to maintain high capital ratio levels due to risk reduction measures such as significant risk transfer via a synthetic securitisation and a prudent credit acceptance policy. In addition, AXA Bank Belgium, in line with ECB guidelines, does not pay out a dividend to shareholders for the period 2020.

4.2.2 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 is fully in force since 2019. As from June 2021 CRR2/CRD V enters into force.

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.

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

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 phased in during 2019 and remained stable in 2020 at a level of 2.5%.

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. Due to COVID-19, the activation of the countercyclical capital buffer is postponed as permitted by the regulators within the measures taken by them to cope with the current Covid19 crisis.

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%.

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), when, for example, not all risks are properly reflected in the regulatory Pillar 1-calculations.

4.2.3 Own Funds

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

The accounting core capital is 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, CET1 deduction for securitisation, 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)	31/12/2020	31/12/2019
Paid up capital	636,318	636,318
Reserves (including retained earnings)	460,319	413,960
Result of the current year	65,627	49,624
Other reserves	0	677
Accumulated other comprehensive income	(30,475)	(24,580)
ACCOUNTING COMMON EQUITY TIER 1 CAPITAL	**1,131,789**	**1,075,999**
Prudential filters	3,626	7,419
Value adjustment of own credit risk	*3,953*	*7,807*
Value adjustment of prudent valuation	*(327)*	*(388)*
Deductions of Common Equity Tier 1 capital	(33,247)	(46,825)
Regulatory adjustments accumulated other comprehensive income	0	*0*
Intangible assets	*(9,863)*	*(16,700)*
Deferred tax assets that rely on future profitability	*0*	*(7,125)*
Other deductions	*(10,826)*	*(4,228)*
Securitization	*(3,306)*	*0*
IRB provision shortfall	*(9,252)*	*(18,772)*
USEFUL CAPITAL COMMON EQUITY TIER 1 (CET1)	**1,102,168**	**1,036,593**

The CET1 amounts to € 1,102 million in 2020 versus € 1,037 million in 2019.

AXA Bank Belgium is allowed to include the consolidated net profit for 2020 (€ 65.6 million) in the core Tier 1 capital. This result strengthens the equity of AXA Bank Belgium.

Main changes for AXA Bank Belgium in 2020 concerning own funds solvency requirements:

- Starting from Q4 2020, 'prudently valued software' or software (intangible) assets can be excluded from capital deductions and can be risk-weighted at 100%. The revised prudential treatment came as a result of an increasing importance of software investments in a more digitally oriented banking sector that is believed to have a competitive disadvantage compared to certain non-regulated technological players such as FinTech companies that are not required to deduct such assets from CET1 capital.

As a result, a prudential amortization approach was introduced where the positive difference between prudential and accounting accumulated depreciation can be fully deducted from CET1, while the residual portion of the carrying amount should be risk-weighted. The prudential amortization period has been set at a maximum of 3 years. While the deduction at the end of 2019 amounted to € -16.7 million, the deduction for end of 2020 equals € -9.9 million. This difference is mainly due to the € 8.6 million intangible assets that are since Q4 2020 risk weighted at 100% and as a result not deducted from the CET1 capital.

- As from Q4 2020 AXA Bank Belgium starts applying prudential provisions for non-performing exposures (NPEs). The prudential provisioning regulation was introduced as part of an action plan of ECB to tackle the high number of NPEs and to prevent their build-up in the future[4]. These supervisory expectations take into account the level of existing credit provisions and the NPE vintage category (secured or unsecured). If the applicable accounting treatment does not match the prudential provisioning expectations, banks should adjust their CET1 capital in line with this coverage expectation shortfall (also called prudential backstop). For this Q4 2020 these prudential provisions amount to € 5.7 million. This amount was added under the category 'Other deductions' in the table above. Resulting in an evolution of other deductions of € -4.2 million at the end of 2019 to € -10.6 million at the end of 2020.
- In Q4 2020 the CASPR transaction was set up as an RWA reduction measure as explained in section 4.2.5. It consists of a balance sheet synthetic securitisation with Significant Risk Transfer (SRT) whereby AXA Bank Belgium (originator and seller) sells the mezzanine tranches to a third party while retaining the senior and first loss tranches as well as a 5% vertical slice of the whole portfolio. The capital deduction is the consequence of the retained risk related to the first loss tranche. According to the regulation, the reporting institution has the option to either risk weigh the first loss tranche or to directly deduct its EAD amount from CET1 Capital if its risk weight is 1250% (i.e., the "deduction option" as per Article 253 of the CRR).
  In fact, both options yield the same result, yet it is the deduction option that was selected in the case of AXA Bank Belgium. It is computed as the sum of all exposures that would be weighted at 1250% (the first loss tranche as well as the excess spread) to which the specific provisions as estimated for the underlying exposures may be deducted. In this case, the deduction is therefore equal to € 3.3 million. The computed deduction value for Q4 2020 amounted to € 3.3 million and was then directly deducted from CET1 capital (see table above). The RWA of the retained Senior tranche is further discussed in section 4.2.4.

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)	31/12/2020	31/12/2019
CET1	1,102,168	1,036,593
Additional Tier 1 capital	90,000	90,000
TIER 1	1,192,168	1,126,593
TIER 2	943	4,609
Subordinated debts	176	1,116
Perpetual subordinated debts	767	3,493
Perpetuals	*2,558*	*11,645*
Perpetuals phase out	*(1,791)*	*(8,151)*
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	**1,193,111**	**1,131,202**

The total own funds evolved from € 1,131 million in 2019 to € 1,193 million in 2020.

4.2.4 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 € 5,995 million on December 2020 coming from € 6,323 million at the end of 2019. This decrease in RWA is mainly due to the carve out of the intermediation business (decrease of € 275 million RWA) and to the Synthetic SRT securitisation as explained in section 4.2.5. Within the Synthetic SRT securitisation the mezzanine tranches are sold (resulting in a significant risk transfer) while the first loss and the senior tranche are retained. As explained in section 4.2.3 the first loss tranche is fully deducted from CET1 capital. As a result, only the retained senior tranche has to be risk weighted. This led to an RWA reduction of € 283 million in Q4 2020.

[4] Regulation (EU) 2019/630 of the European Parliament and of the COUNCIL of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures.

RISK EXPOSURE AMOUNTS (in '000 EUR)	31/12/2020	31/12/2019
Risk weighted exposure amounts for credit risk	5,259,831	5,434,722
Risk exposure amount for market risk	17,516	79,377
Risk exposure amount for operational risk	699,118	658,421
Risk exposure amount for credit valuation adjustment	18,758	151,355
TOTAL RISK EXPOSURE AMOUNTS	**5,995,224**	**6,323,875**

The Belgian regulator has requested[5], 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.

4.2.5 Securitisation – Significant Risk Transfer

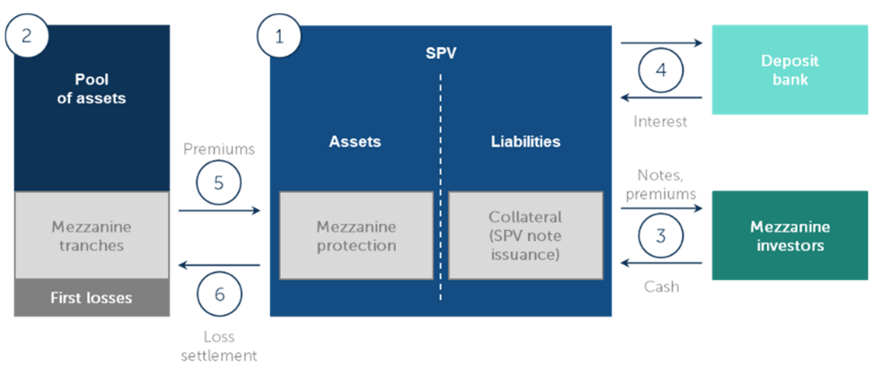
In Q4 2020, AXA Bank Belgium set up a synthetic securitisation on its mortgage loan portfolio, to optimise AXA Bank Belgium's risk-return balance, and to support the growth of the loan portfolio while maintaining the envisaged solvency levels (as set in the risk appetite framework of the bank).

The transaction consists of a balance sheet synthetic securitisation of a pool of residential mortgage loans. A significant portion of the credit risk of the underlying loans was "tranched" and transferred to external parties via a "significant risk transfer" (SRT). It is via this transfer of economic credit risk that AXA Bank Belgium has been able to generate some RWA relief over its mortgage loan portfolio.

In terms of setup, the first-loss tranche was structured to mitigate the expected credit losses on the underlying portfolio. Then, the mezzanine tranches were defined to absorb any unexpected credit losses, thereby protecting the senior tranche. AXA Bank Belgium has retained the Senior and First-Loss tranches and transferred the risk associated to the mezzanine tranches to external parties. AXA Bank Belgium has also retained a 5% vertical interest in the entire structure (across all tranches). Furthermore, additional structural features were included in the transaction to help mitigate the credit risk of the underlying mortgages, which include the synthetic excess spread, the tranche amortisation mechanism (including performance triggers) and the definition of credit events.

The "synthetic" nature of the securitisation relates to the fact that the risk was not transferred through the outright sale of the underlying assets, but rather by the means of funded credit protection contracts used to absorb the credit losses associated to the mezzanine tranches. In this sense, the loans have remained on the bank's balance sheet, but the risk associated to the mezzanine tranches of the securitised loan portfolio has been transferred via the funded credit protection.

The transaction was set up in different components listed below:



1. A Luxembourg-based SPV (the CASPR entity) was created to act as an intermediary between the external investors (the protection sellers) and AXA Bank Belgium (the protection buyer).

2. The underlying pool of residential mortgage loans was selected (total exposure value of € 752 million). The credit risk of the underlying pool was segregated into different tranches, with AXA Bank Belgium retaining the First-Loss and senior tranches (as well as a 5% vertical interest in the entire structure). The mezzanine tranches were transferred to investors. Without a change in legal ownership, the underlying assets have remained on AXA Bank Belgium's balance sheet.

[5] 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.

3. CLNs were issued by the SPV to investors and the cash received was used to fund the collateral, which stayed in CASPR. Being a form of funded credit protection, the collateral will be used to cover credit losses on the pool of underlying mortgages and for the redemption of the CLNs (event driven). All CLNs started amortising at the initiation of the transaction.

4. The proceeds from the CLNs (i.e., the funded amount) were deposited with an external bank (BNYM).

5. In order to transfer the credit risk attributable to the mezzanine tranches, AXA Bank Belgium pays premiums to the CASPR entity, which are subsequently passed on to the investors in the form of floating (Euribor-based) interest payments on the CLNs. For this purpose, a CDS is used as the designated risk transfer instrument and is mirrored in the CLNs.

6. In the case of default on any of the underlying mortgages, the incurred losses will initially be internalised by AXA Bank Belgium until the first-loss tranche is wiped out. Afterwards, the losses will be passed on to the mezzanine tranches held by investors, with the CASPR entity absorbing the losses and reducing further the nominal of the CLNs.

The capital structure and tranche sizing of the securitisation are summarised below, with the monetary values based on the transaction at its origination.

Tranche	**Size in %**	**Size in € million**
Senior	91.4	653
Mezzanine A	3.3	24
Mezzanine B	2.5	18
Mezzanine C	2.2	16
Mezzanine D	0.3	2
First loss	0.3	2
Total	**100.0**	**715**

As stated above the purpose of the transaction was to generate RWA reduction. As per Basel's securitisation framework only the retained Senior and First-Loss tranches are subject to a capital charge for AXA Bank Belgium, as the mezzanine tranches are presently covered via funded credit protection. The Senior tranche RWA was measured according to the SEC-IRBA, as all underlying exposures are IRB exposures. With regards to the First-Loss tranche RWA, AXA Bank Belgium had a choice between two options, either to risk weight it, or to directly deduct the tranche's EAD amount from CET1 capital (the "deduction option" as per Article 253 of the CRR). Although both options are meant to achieve the same outcome, since the capital requirements are in both cases set at 100% of the tranche's EAD amount, the deduction option was selected as the preferred approach

Finally, the securitisation of the underlying mortgage portfolio has led to RWA relief amount of € 283 million, which is a result of the risk transfer that took place with the transaction. The RWA relief amount is computed as the difference between the RWA associated with the retail credits before securitisation, minus the RWA linked to the retained Senior tranche and the RWA resulting from the CLNs proceeds. As to the retained First-Loss tranche, it is not to be included in the RWA relief calculation since it is directly deducted from CET1 capital. The combined effect of the RWA relief and the capital deduction has led to an increase of AXA Bank Belgium's capital ratios with 84 bps end December 2020.

4.2.6 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, the further de-risking of the bank (carve out of the intermediation business) and the successful SRT securitisation.

Capital Ratios	**31/12/2020**	**31/12/2019**
Transitional definition		
Common Equity Tier 1 ratio	18.38%	16.39%
Tier 1 ratio	19.89%	17.81%
Capital ratio	19.90%	17.89%
Fully phased-in definition		
Common Equity Tier 1 ratio	18.38%	16.39%
Tier 1 ratio	19.89%	17.81%
Capital ratio	19.90%	17.83%

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 decrease in risk weighted assets due to the carve out of the intermediation business and due to securitisation in December 2020 as explained in 4.2.5. As per 31 December 2020, AXA Bank Belgium's Tier 1 ratio stands at 19.89% (17.81% in 2019) and total capital ratio at 19.90% (17.89% in 2019).

AXA Bank Belgium's solvency ratios are equal to the fully loaded ratios, i.e. calculated as if Basel III were already in full force. As a result of COVID-19, AXA Bank Belgium re-assessed in 2020 its macro-economic scenarios, with a more negative outlook on GDP, the unemployment rate and house prices. These re-adjusted macro-economic scenarios mainly foresee that the quality of the credit portfolio will decrease in the future impacting expected credit losses and RWA levels. The combination of an increased provisioning level as well as higher RWA's has a negative impact on the capital ratio at 31/12/2020 as well as on forecasted ratios. However, as explained in previous sections, AXA Bank Belgium is able to manage its capital ratios at levels that are comfortably in line with the risk appetite of the bank

4.2.7 Economic capital

Next to the regulatory (normative) perspective for managing capital risk, AXA Bank Belgium also developed an internal economic framework to measure the adequacy of its capital. AXA Bank Belgium measures its economic capital requirements by using the methods described in the table below.

	Risk category	Economic	Regulatory
Credit risk	Retail Credit Risk - Mortgage, Consumer & Professional Loans	Asymptotic Single Risk Factor	IRB
	Retail Credit Risk - Other loans	SA	SA
	Non-retail Credit Risk - Sovereign, Financial, Institutions, Corporates	Adjusted CreditRisk+ model	SA
	Non-retail Credit Risk - Counterparty	Adjusted CreditRisk+ model	SA
Market risk	Trading Book - Non-structural interest rate, FX and credit spread risk	Monte Carlo V@R	SA
	Banking Book - Structural interest rate and basis risk	Monte Carlo V@R	SA
Operational risk	Operational Risk	Monte Carlo V@R	BIA
Business risk	Business Risk	Scenario approach	-

Economic capital calculations are performed per risk subdomain on a quarterly basis. Together with correlations (Var-CoVar approach), it serves as an input for economic capital calculations at bank level.
AXA Bank Belgium's excess capital is measured by subtracting from the bank's internal capital (after stress) its total economic capital requirements (ECAP). AXA Bank Belgium measures its economic capital requirements by assuming a confidence level of 99.9%.

4.2.8 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 2020 to 3.86% at the end of December 2020 (3.98% in 2019) or 3.86% (3.98% in 2019) when fully loaded.

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

Leverage ratio	31/12/2020	31/12/2019
Transitional definition	3.86%	3.98%
Fully phased-in definition	3.86%	3.98%

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

4.3 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.

4.3.1 Liquidity Risk Management

4.3.1.1 Risk Policy, Limit Framework and Reporting

AXA Bank Belgium has stable sources of short term and long term funding. It has a robust retail deposit base and a covered bond program to attract well priced, non-volatile wholesale funding. The pandemic situation in 2020 did not create a stress event in terms of liquidity management for AXA Bank Belgium.

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

1. Internal indicators: Internal Liquidity Stress (ILS) and Short-Term Liquidity Framework (STeLF)
2. Regulatory indicators: LCR, NSFR, ALMM and asset encumbrance

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 the bank 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 the bank'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	31/12/2020	Limit	Buffer
Internal Liquidity Stress Indicator	1,527,170	500,000	1,027,170

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 the CRR II in June 2021.
-

- ALMM (Additional Liquidity Monitoring Metrics) is reported to the regulator since April 2016. Asset encumbrance (broad and narrow) ratios are calculated in accordance with Belgian regulation.

4.3.1.2 Policies for Hedging and Risk Mitigation Techniques

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.

4.3.1.3 COVID-19 impact on liquidity

As explained in 4.1.1.2, the Belgian government decided grant moratoria for mortgages, consumer and professional loans for clients impacted by the COVID-19 crisis. These measures translate into lower loan inflows in 2020 and therefore moderately impact liquidity. AXA Bank Belgium estimated a decrease of credit payments of approximately € 50 million per month. This negative liquidity impact was taken into account in the forecasted liquidity assessments. Given AXA Bank Belgium's comfortable LCR and NSFR buffers, this impact was absorbed without issues. It should also be noted that even in volatile market conditions due to the COVID-19 crisis, AXA Bank Belgium was still able to use one of its main funding sources: covered bonds, at favourable funding costs.
In the context of the ongoing COVID-19 crisis, as explained in the introduction, AXA Bank Belgium set up a dedicated reporting which is shared on a periodic basis with all relevant stakeholders. This 'COVID-19 dashboard' follows up several indicators which could be impacted by the crisis. Several indicators which are relevant for liquidity risk management are monitored in this dashboard:

- Observed outflows of retail deposits;
- High cash withdrawals;
- Forecasted LCR of the next 2 months;
- Change in cash collateral paid/received;
- Short Term Liquidity Forecast;
- Impact of stress on the value of the investment portfolio.

4.3.2 Liquidity Buffer Assessment

AXA Bank Belgium has 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 2020 (100% limit) thanks to a comfortable stock of liquid assets and a solid financing structure.

Ratio	31/12/2020	31/12/2019	Limit
LCR	197%	198%	100%
NSFR	133%	133%	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 (€ 18.7 billion on 31 December of 2020) and covered bonds (€ 5.5 billion on 31 December 2020). AXA Bank Belgium also participated to the long term refinancing operations of the ECB in the form of PELTRO and TLTRO funding for € 2.5 billion on 31 December 2020. This funding is received by pledging retained covered bonds as collateral at the ECB. More detail can be found in the table below.

Maturity Analysis

Date as of 31/12/2020 (in '000 EUR)	< 3 months	< 12 months	> 12 months	Total
Central Bank financing	-	-	2,551,000	2,551,000
Loans from financial customers	411,974	262,223	59,551	733,747
Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP)	91,761	30	255	92,046
Repurchase Agreements	-	-	-	-
Secured loans	320,212	262,193	59,296	641,702
Retail funding	17,621,902	134,346	940,901	18,697,149
Non maturing retail funding (savings and current accounts)	17,539,206	-	-	17,539,206
Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	82,696	134,346	940,901	1,157,942
AXA Group Financing	-	43,062	341,066	384,128
EMTN	-	43,062	341,066	384,128
Other counterparties	287,839	-	5,537,694	5,825,533
Unsecured funding from non-financial customers	287,839	-	130	287,969
Covered bonds	-		5,537,564	5,537,564
Total	**18,321,714**	**439,632**	**9,430,211**	**28,191,557**

In this table the fair value of derivatives is not included since we do not consider these derivatives as 'funding',

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 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 € 8.25 billion in 2020 of which € 5.5 billion remains on a consolidated level: € 5.5 billion are placed in the market, and € 2.75 billion of these covered bonds are retained by AXA Bank Belgium (used in ECB funding transactions) and were eliminated in the consolidated balance sheet.

4.4 Credit Risk

4.4.1 Credit Risk Management

AXA Bank Belgium defines credit risk as the negative consequences associated with the default[6] or deterioration in credit quality[7] 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.

4.4.1.1 Retail Credit Risk

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

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.

4.4.1.1.1 COVID-19 impact

The COVID-19 crisis implicates an increase in retail credit risk as AXA Bank Belgium's clients might be impacted by the worsened macro-economic conditions and thus have a higher chance of defaulting on their loans. The Belgian governments have taken supporting measures for companies, self-employed and temporary unemployed workers as well as installing a framework for payment suspensions on loans, i.e. the moratorium. Thanks to these supporting measures as explained in 4.1.1.2, AXA Bank Belgium did not encounter a significant increase in loans with payment problems. Increased losses in the coming years become more likely which is reflected in an increased level of expected credit losses for stage 1 and stage 2 loans. After a detailed analysis, a group of clients was classified as Unlikely to Pay (UTP) – hence non-performing and stage 3 - although that they did not show yet payment issues. Additional measures are put in place at AXA Bank Belgium to deal with this increased credit risk appropriately. These additional measures are explained in more detail in the next paragraphs.

4.4.1.1.1.1 Moratoria and State Guarantees at AXA Bank Belgium in 2020

As from April 2020, Belgian banks provide payment deferrals to individual and business clients that are affected by the COVID-19 crisis. In the table underneath the payment deferrals that were granted in 2020 by AXA Bank Belgium are split by product type.
The table below shows the amount of the granted exposure that fulfils all criteria of the moratoria and the exposure of expired moratoria.

31/12/2020 (in '000 EUR)	number of obligors	exposure granted	of which EBA compliant	of which expired
Mortgage Loans	14,567	1,687,855	1,105,282	1,559,010
Professional Loans	3,968	391,878	290,009	351,488
Consumer Loans	174	2,961	2,961	2,815
Total	18,709	2,082,694	1,398,253	1,913,312

The payment deferrals on mortgage and consumers loans included an interest payment deferral. Due to this interest deferral AXA Bank Belgium recognized a modification loss for a total amount of € 3.4 million over 2020.

Next to the payment deferrals due to COVID-19, the bank also granted a high number of regular capital suspensions (of six months) in 2020. These loans are considered as forborne loans as they do not fall under the government moratoria scheme. Underneath you will find an overview split by product type:

31/12/2020 (in '000 EUR)	number of obligors	exposure granted
Mortgage Loans	977	127,100
Professional Loans	96	21,854
Total	1,073	148,954

Next to the payment deferrals, AXA Bank Belgium also provided credit facilities to their professional clients partially covered by a state guarantee. As explained in 4.1.1.2 there were 2 different payment guarantee schemes installed after the outbreak of the COVID-19 crisis. At the end of December 2020, AXA Bank Belgium granted 398 loans under the state guarantee for an exposure of € 14.5 million of which 322 (€ 9.8 million) type I and 76 (€ 4.8 million) type II. The first scheme entails newly originated loans under state guarantee that have a maximum maturity of 12 months. Loans under state guarantees type II comprises loans with a maturity between one and five years to provide liquidity to professionals that are in financial difficulties due to the COVID-19 crisis.

31/12/2020 (in '000 EUR)	# of facilities	Gross carrying amount
Newly originated loans and advances subject to public guarantee schemes	398	14,536
Self-employed	100	1,296
of which: State guarantee I	90	1,192
of which: State guarantee II	10	103
SMEs	298	13,241
of which: State guarantee I	232	8,575
of which: State guarantee II	66	4,665

4.4.1.1.1.2 New stage 2 classification rules and manual UTP classification for payment suspended loans

In normal times payment suspended loans are only granted to clients with financial difficulties. It follows that they are automatically identified as forborne and placed in IFRS 9 stage 2. Following EBA guidelines and an analysis, indicating that many borrowers in the moratorium have much assets under management, it was decided to not automatically flag COVID-19 payment suspended loans as forborne. However, additional risk indicators based on internal data and data from external data providers were applied to classify loans as forborne and as stage 2 and hence to make a distinction between on the one hand viable clients with only short term liquidity issues due to the crisis and clients with more structural financial difficulties on the other hand. For individuals as well as professional clients the rating assessment process was enhanced as follows:

- For clients with an active current account AXA Bank Belgium can rely on a current account score where transactional information is translated in a scorecard. Based on historical behavior it was possible to demonstrate that this current account score improves the discriminatory power of AXA Bank Belgium's rating system and identifies more timely a deterioration of a client even prior to payment problems.
- For professional clients an external impact score was acquired to complete the AXA Bank Belgium's traditional internal rating assessment to cope with the exceptional macro-economic conditions resulting from the COVID-19 pandemic. This impact score makes it possible to assess to what extent professional clients can resist the effects of the sanity crisis and the resulting economic restrictions.

These additional indicators enable better monitoring and risk management of these loans. On top of that, AXA Bank Belgium classified loans that applied for an extension of the moratorium as a significant increase in credit risk. All extended moratoria loans were thus classified as IFRS 9 stage 2. All new stage 2 classification rules led to an additional 0.7% of loans placed in IFRS 9 stage 2 leading to € 1.7 million additional provisions.

During the moratorium, days past due counting stopped and hence there was no need to mention credits to the credit bureau and this also prevents the mechanical increase of credit risk based on the day past due counting. However, a more thorough and expert-based assessment was performed to identify within the portfolio of the moratorium clients as unlikely to pay. To perform this exercise, internal data was aggregated with specific impact and employment information that was gathered in collaboration with the banking agent and the client. Within Preventive Management 5% of mortgage loans and 7% of the professional loans with a COVID-19 related payment suspension were already classified as UTP as a result of this expert-based assessment. This led to an increase of € 5.3 million in provisions.

4.4.1.1.1.3 Revision management overlay

Within the IFRS 9 framework, AXA Bank Belgium has internal macro-economic models that estimate how the credit portfolio will behave under certain macro-economic conditions. The unprecedented shock of the COVID-19 crisis on the macro-economic environment in combination with important state interventions makes it extremely challenging to forecast how the credit portfolio will behave in the future. It was considered that the outcome of the existing internal portfolio models did not completely capture the effect of the COVID-19 crisis on the future credit portfolio. By means of an alternative forecasting methodology the internal IFRS 9 models were challenged and based on this sensitivity analysis a management overlay on IFRS 9 impairments was installed at the end of 2020 to ensure an adequate level of expected credit losses in line with the current macro-economic outlook. The alternative forecasting methodology focuses on challenging three elements in the ECL calculation: the Probability of Default (PD), the Loss Given Default (LGD) and the appropriate quantification of the credit risk of loans in the moratorium for which no information on monthly payments is available.

- The likelihood that a credit defaults in the future is determined by means of a scoring model where the scoring model is able to produce a through-the-cycle (TTC) probability of default. IFRS 9 requires that this TTC probability is transformed in a point-in-time (PIT) estimate and this is traditionally realized by means of an internal macro-economic portfolio model. It was considered that the internal portfolio model resulted in a too small impact on the TTC PD estimates given the unprecedented shock on the Belgian economy. Therefore, the internal portfolio model was challenged by an alternative portfolio model provided of the ECB provided during previous stress test exercises. The final PIT PD predictions were constructed as a weighted average between the PIT PD predictions coming out the internal portfolio model predictions and the PIT PD predictions coming out of the alternative portfolio model. The weight was determined so that the expected portfolio deterioration (in terms of staging) is line with portfolio behaviour that is expected in previous stress testing exercises. In the table below, a comparison is given how the PIT multiplier that is applied on the 12month and lifetime probability of default differs between the internal model and the final estimates. .

	PD12m - PIT multiplier (internal model)	PD12m - PIT multiplier (final)	Lifetime PD – PIT multiplier (internal model)	Lifetime PD – PIT multiplier (final)
Mortgage loans	1.00	1.18	1.09	1.22
Professional loans	1.04	1.18	1.07	1.16

- For the LGD estimates the predicted evolution of the house pricing index (HPI) is the most important parameter. The LGD estimates are revised upwards as it was considered that the current internal methodology could not fully capture the effect on LGD estimates of future house price evolutions that are less prosperous compared to what is observed in the last years including 2020. The worked-out methodology provides a way to predict LGD values based on LTV values which will be higher if house prices decrease with a specific focus on the LGD estimates for loans with a high LTV.

- As mentioned above, new stage 2 classification rules were implemented for payment suspended loans based on additional internal and external information. The resulting additional stage 2 loans form an increased credit risk and for these loans lifetime expected credit losses are accounted for. Although these new qualitative stage 2 classification rules were implemented, the additional internal and external information were not yet integrated in the risk quantification process. As a result, the average LECL% had decreased at the moment the qualitative stage 2 classification was implemented. In order to guarantee that the additional internal and external information is also reflected in the risk quantification, it was decided to install a management overlay so that the LECL% on these new Stage 2 loans was brought in line. This implicitly assumes that these new Stage 2 loans introduced in times of COVID-19 do not materially differ from “traditional” Stage 2 loans.

On top of this general management overlay that covers the systemic risks within the credit portfolio, an in-depth analysis was performed on economic sectors which have been hit exceptionally hard by the COVID-19 crisis and the subsequent lockdowns imposed by the government. Based on an analysis of lockdown measures and public surveys, vulnerable economic sectors were defined see table underneath. A methodology was developed to estimate the default rate for these sectors given the lockdown measures based on a combination of external data and the internal risk models. It is possible that for these economic sectors 20% of the credit portfolio might default in the upcoming years and therefore an additional sectoral impairment of € 2.3 million was installed. As a measure of sensitivity with respect to the vulnerable sectors chosen, applying the same methodology on the full credit portfolio over all economic sectors would result in in € 7.3 million additional future credit losses.

COVID-19 vulnerable sectors
Beauty
Events
Horeca
Public venues
Retail store: non-essential resources
Sport: Activities & Venues
Tourism
Whole-sale: non-essential resources

The above measures have globally increased our expected credit losses with € 11.3 million at year-end 2020 (more details in 4.4.1.1.1.4). This management overlay on impairments is only calculated for the mortgage loan portfolio and the professional loan portfolio. For the consumer loan portfolio no management overlay on impairments was determined as it was considered that this was not required for this non-strategic credit portfolio because of an unchanged high quality level of the consumer loan portfolio: e.g. for a limited amount of consumer loans a payment suspension was requested, no increase in days past due characteristics were observed. Furthermore, defaulted consumer loans are sold for a fixed price to an external party and this further reduces the volatility of credit losses under adverse macroeconomic conditions.

4.4.1.1.1.4 Evolution of credit portfolio in 2020

The table below gives an overview of the evolution of AXA Bank Belgium’s credit portfolio in 2020 over the various IFRS 9 stages. Notwithstanding the fact that the payment behavior of AXA Bank Belgium’s credit portfolio remained at a high quality, AXA Bank Belgium proactively took actions to timely identify a significant increase in credit risk and unlikely-to-pay status. The proportion of stage 2 loans increased in 2020 from 6.7% at the start of 2020 to 8.7 % at the end of 2020 where the increase is explained by more information coming available in the second half 2020 about the impact of the COVID-19 crisis on the business models of our professional clients and about the need for longer use of moratorium conditions.

Exposure (€ mln)	31-12-19	31-12-20
Stage 1	23,395	23,583
Stage 2	1,711	2,268
Stage 3	285	358

In 2020 the NPL % increased to 1.4% after a detailed unlikely-to-pay assessment of AXA Bank Belgium’s credit portfolio with a focus on these clients that had requested in September 2020 for an extension of the moratorium conditions.

The evolution of impairment levels and ECL% are shown in the tables below. Notwithstanding that macro-economic scenarios were already adjusted in Q1 2020, the ECL% per stage remained relatively stable in the first half of 2020. Upward revision of ECL% because of changed macro-economic scenarios was partially compensated by a downward revision of ECL% because of the yearly review process of IFRS 9 models. This downward revision of ECL% is explained by a continuous prudent risk intake over the past years where the effect of this is now translated in a significant effect on the portfolio behavior and the resulting ECL%. The table below depicts the ECL% including the management overlays.

Impairments (€ mln)	31-12-19	31-12-20
Stage 1 - loans	4.3	5.5
Stage 2 - loans	13.9	21.8
Stage 3 - loans	55.5	57.2
Stage 3 - advances	4.2	4.2
Total - Loans and advances	**77.9**	**88.7**
Stage 1 - commitments and financial guarantees given	1.1	1.1
Stage 2 - commitments and financial guarantees given	0.6	0.3
Stage 3 -commitments and financial guarantees given	0.1	0.3
Total - commitments and financial guarantees given	**1.7**	**1.6**
Total = table imp.7/imp.8 chapter 15	**79.6**	**90.4**

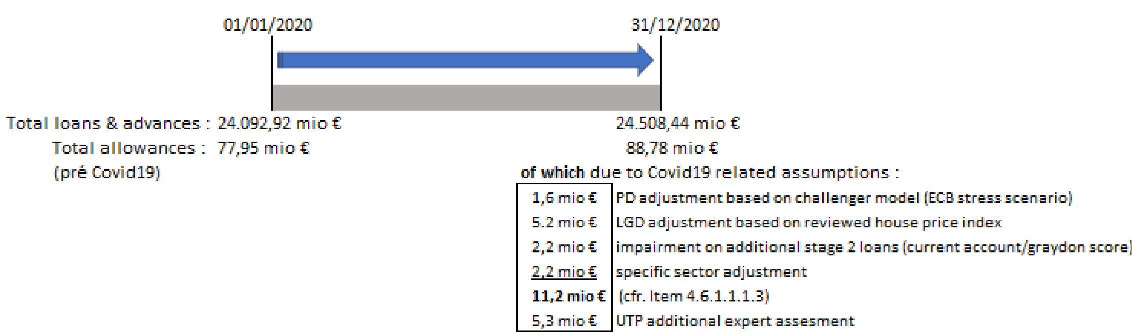
Coverage ratio	31-12-19	31-12-20
Stage 1	0.02%	0.03%
Stage 2	0.85%	0.98%
Stage 3	20.99%	16.30%

At the end of 2020, ECL% have increased for stage 1 and stage 2. An assessment was done and as it was concluded that AXA Bank Belgium's internal IFRS 9 methodology was not fully capturing the impact of COVID-19 on its ECL levels, a management overlay was introduced based on an alternative calculation to incorporate the effect of COVID-19. For stage 3 loans the ECL% has decreased and this is explained by the significant amount of loans that became unlikely-to-pay in Q4 2020. As a result, the defaulted loans became on average younger where the ECL% is typically lower for younger defaulted loans given their higher likelihood to still cure

Furthermore, some COVID-19 related management overlays are installed in 2020.

In addition, the 'unlikely-to-pay' assessment, as explained in **Error! Reference source not found.**, was subject to an expert review which allows for the identification of moratorium loans as 'unlikely-to-pay' so that the credit losses could be granted by the internal models for defaulted credits.

Overview of changes in loan loss allowances due to COVID-19 related changes in assumptions:



For further details (e.g. product split) we refer to chapter 15 Impairments.

4.4.1.1.2 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. Partly due to the close follow-up of any impact on its risks, as explained under item 4.1.1.1, AXA Bank Belgium has not currently adjusted its RAF due to the Covid19 crisis.

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. A RAROC framework is available and used as an essential element in the risk-return analysis of the retail activities.

In 2020 AXA Bank Belgium implemented a new definition of default which is compliant with EBA's definition of default. As a result of this new definition of default the internal credit risk models were recalibrated for IFRS 9 purposes. The new definition of default resulted in a € 3.3 million impairment decrease. This is a limited impact on € 90.4 mln impairments for a € 24.5 billion loan portfolio. This is in line with expectations, as the change of default definition doesn't change the overall riskiness of the portfolio.

An essential part of the credit risk 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 by the Board of Directors Risk Committee.

4.4.1.1.3 Risk Mitigation Techniques

AXA Bank Belgium defines in its credit policies the need to establish collaterals to mitigate the credit risk. Although the collateral position is a second degree risk metric, it remains essential to accompany the client in its financial life and to ensure the financial and risk position of the bank. From an operational and client point of view, the collateral value is key to gain sufficient insight in the overall (risk-)position of the client in decision-taking, both at the moment of granting as during the lifetime of a loan. From a financial and risk point of view, the bank should furthermore ensure that registered property values are sufficiently accurate as to ensure capital and impairment levels are not materially biased. Moreover, within its applied principles and practices, AXA Bank Belgium aims at being in line with market practices and at being fully compliant with regulatory or supervisor expectations.

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, twice a year a revaluation of the underlying real estate is done based on the statistics of how Belgian's real estate market is evolving (so called indexation process).

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) in Belgium. 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 Contingent Assets and Liabilities *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.

Valuation policy for non-performing loans
Clients with loans in arrears are a limited part of AXA Bank Belgium's portfolio, but applying an indexation approach might not be appropriate for these loans as the assessment of potential losses more heavily rely on property values at this stage. AXA Bank Belgium therefore performs an external valuation at the moment of becoming doubtful for those properties for which no recent (i.e. ≤ 3 year) individual valuation is available. A yearly verification will be performed to ensure the last external valuation is less than 3 years old. In case of older external valuations, a (new) valuation will be performed.

4.4.1.1.4 Securitisation – Significant Risk transfer

As explained in section 4.2.5, AXA Bank Belgium has successfully set up a synthetic securitisation on its mortgage loan portfolio in Q4 2020. This was done to support the growth of the loan portfolio while maintaining the envisaged solvency levels (as set in the risk appetite framework of the bank). This securitisation of the underlying mortgage portfolio has led to RWA relief amount of € 283 million in Q4 2020, which contributed to comfortable solvency ratios at the end of 2020 as mentioned in 4.2.6.

4.4.1.2 Non-retail Credit Risk

Besides retail related credit risk, AXA Bank Belgium incurs credit exposure to high quality counterparties and issuers through its treasury and asset & liability management activities. Note that the Intermediation business have been fully carved out in the course of 2020 implying an important de-risking in terms for non-retail credit risk.

AXA Bank Belgium engages in different types of derivates in order to hedge the market risk of its balance sheet (e.g. to hedge the interest rate risk on mortgages) and incurs counterparty credit risk on these derivatives. 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.

4.4.1.2.1 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. 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, 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 2020 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.

4.4.1.2.2 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. The offsetting AXA Bank Belgium applies, is recognised from a regulatory perspective and is considered to be sufficient as a risk mitigant on all counterparties. It should be noted that the scope of netting as risk mitigant Is broader than the scope of 'accounting offsetting' under IAS 32 – Financial Instruments – Presentation, which requires more conditions to be fulfilled.

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.
- Re-use of collateral is allowed, which greatly reduces the burden on AXA Bank Belgium's liquidity.

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.

4.4.1.3 Policies establishing Credit Reserves

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).

For the retail loan portfolio, the Retail Risk Committee (RRC) is responsible for the provisioning and impairment methodology and practice.

4.4.2 Credit Risk Exposure

4.4.2.1 Retail Credit Risk

For the majority of 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. These IRB models are also re-used in the provisioning methodology, be it with a different calibration and be it with an IFRS 9 extension.

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 2020 (+5.6%) 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 until 2019 were characterised by a more moderate level of refinancing and in 2020 this moderate level is maintained.

For the consumer loan portfolio, we noticed an increase in 2020 (+5.24%). The production did more than compensated for the natural erosion of the portfolio despite not being a strategic product.

As from 2016, the professional loans portfolio of AXA Bank Belgium is increasing. In 2017, 2018 and 2019 the portfolio increased significantly, for 2020 the evolution was 12%. 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.

At the beginning of 2020, AXA Bank Belgium's credit portfolio showed an excellent credit quality. This enabled the bank to handle the COVID-19 crisis in an adequate manner. During 2020 the default rates increased significantly due to the UTP classification of a set of selected loans with COVID-19 related issues.
The 2020 evolution of the 12M default rate is described underneath:

- The 12M default rate[8] for mortgage loans increased from 0.63% under the old definition of default in December 2019 to 0.75% under the new definition of default. Under the new definition of default, the 12M observed default rate in December 2020 was equal to 1.02%. This increase in 12M default rates for mortgage loans is due to COVID-19 UTP flagging.
- The 12M default rate for loans to professionals and small businesses increased from 1.59% observed in December 2019 under the old definition of default to 1.78% under the new definition. In December 2020 the 12M default rate for professional loans was 2.42% under the new definition of default. The 12-month default rate is significantly impacted by AXA Bank Belgium's COVID-19 UTP flag.

[8] 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.

- For consumer loans there is an increase in the 12M default rate between the application of the different definitions of default (from 1.21% under the old definition to 2.15% under the new definition of default) in December 2019. In December 2020 the 12M default rate for consumer loans was 2.07% under the new definition of default. This corresponds to a stable default rate in this COVID-19 crisis and demonstrates that AXA Bank Belgium has a prudent credit risk intake for this product type.

The credit losses amounted to a total of € 16.7 million in 2020, compared to € 6.3 million in 2019. The incurred credit losses remain relatively low as the credit portfolio continued to show a high quality. The increase in credit loss is explained by a strong increase in the expected credit losses increased strongly due to the impact of COVIDovid-19 andwhere a significant deterioration of macro-economic outlook as was reflected in AXA Bank Belgium's expected credit losses as mentioned in section 4.4.1.1.1. Mind that the stock of existing non-performing loans still show a positive evolution compared to the current provisioning levels..

Underneath the 3 IFRS 9 stages are discussed:
See chapter Impairment *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. Within the segment of performing loans, a distinction is made between loans without any significant increase in credit risk since origination on the one hand and loans with a significant increase in credit risk since origination on the other hand. Loans that are in the performing segment without any significant increase in credit risk 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 identify a significant increase in credit risk (SICR) and therefore the loans are categorised as Stage 2 (underperforming):

- Qualitative triggers:
  - Days past due greater or equal to 30
  - Negatively listed in the credit bureau (CKP[9] database)
  - Forbearance measures on credit
  - Current PD rating in bucket 9
  - a second request for deferral of payments within the framework of the measures developed by the Government and the banks to temporarily support businesses, self-employed persons and families
  - internal scoring based on:
    - combination of a request for deferral of payments with observation of a changing behaviour in the current account
    - for professional loans, an addition of an external scale-up indicating the extent to which a professional customer may or may not be crisis-proof.
- Quantitative triggers:
  - Current PIT[10] PD is a factor 3 times higher than 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.

During the COVID-19 crisis clients could request payment deferrals as explained in 4.1.1.2. In normal times payment deferrals are only granted to clients in financial difficulties and hence these loans would be classified as forborne and placed in IFRS stage 2. However, following the EBA guidelines, it was decided to not automatically flag COVID-19 payment suspended loans as forborne. Nonetheless, additional risk indicators based on internal data and data from external data providers were applied to classify additional loans as forborne and as stage 2 in case those indicators point to more structural financial difficulties.

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.

[9] Database at the National Bank of Belgium listing all credits a natural person has across all financial institutions and companies that grant credit facilities.
[10] Point-in-time.

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 has changed in 2020, which had an impact on the figures, as some credits that are were in Stage 3 are currently 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 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 (whereas it was 6 months in the past).

See section 0 for the impact of the new definition of default on the impairments. Overall, the impact of the new definition of default is limited and did 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 and hence with stage 3.

In the table underneath the impairments of AXA Bank Belgium are split by internal rating. The largest part of the changes in Stage 2 had an internal rating between 7 and 9 at the end of 2020. This corresponds to 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	2.141,31	1.499,19	
Internal rating 5 to 6	2.026,53	5.047,11	
Internal rating 7 to 9	2.222,15	15.591,73	
Internal rating 10			57.459,47

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 2020 are secured between 50% and 100% of the total credit outstanding.

Coverage of Credit Impaired Financial Assets

Collateral	000 EUR / %
Credit-impaired financial assets	359,979
Up to 50% covered by collateral	15%
From 50 to 100% covered by collateral	85%

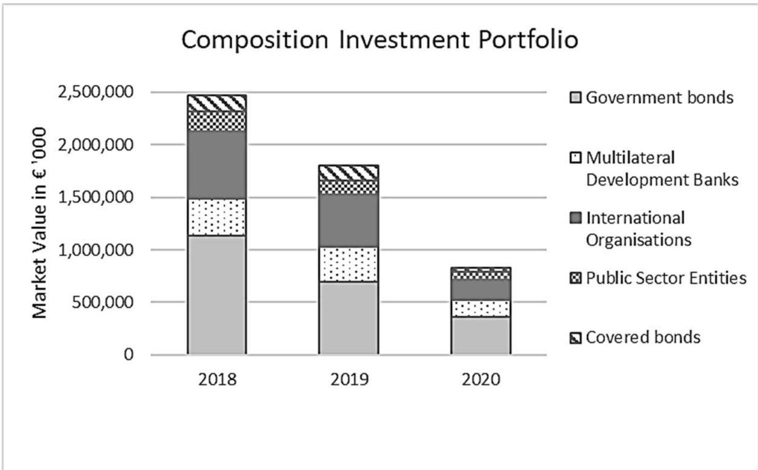
4.4.2.2 Non-retail Credit Risk

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.

4.4.2.2.1 Investment Portfolio

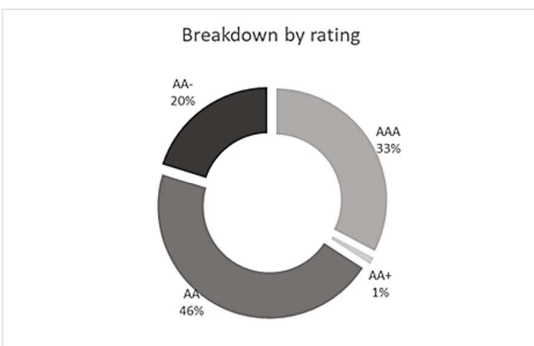
The market value of the investment portfolio dropped further, from € 1.89 billion at the end of 2019 to € 0.8 billion in December 2020 due to bond maturities.

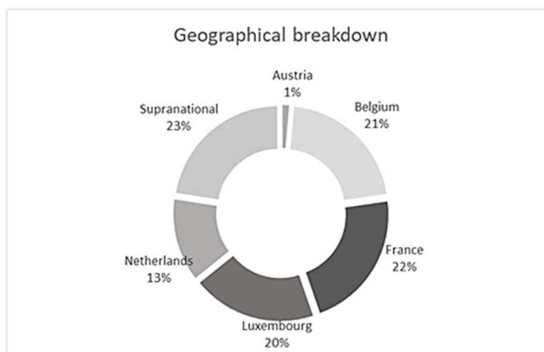
The investment portfolio of AXA Bank Belgium mainly consists of high-quality government bonds (54%) and supra-national bonds (42%). The next graph illustrates the exposures in AXA Bank Belgium's investment portfolio.



Moreover, the credit ratings and market price changes 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.





4.4.2.2.2 Counterparty Credit Risk

AXA Bank Belgium engages in different types of derivative in order to hedge its balance sheet risks. 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.

Asides derivatives, AXA Bank Belgium occasionally trades repurchase agreements. 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, 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 central clearing counterparties. Collateral exchanged is limited to cash and high quality securities in order to ensure adequate limitation of credit exposures.

Until 2020, AXA Bank Belgium acted as centralised platform to provide AXA Group entities access to financial markets (intermediation activity). However, this activity was fully carved-out in 2020 as part of the derisking strategy of AXA Bank Belgium.

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

The exposure of the repo activity was zero at the end of December. Consequently, no repos were outstanding on 31 December 2020.

(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 and Credit Suisse International.

The aggregated results as of 31 December 2020 are displayed step by step below.

a) The sum of all positive market values amounts to € 442 million. These positive market values amounts are neutralised by negative market values (€ 1.402 billion of negative market values). AXA Bank Belgium emphasises here that this neutralisation goes beyond purely accounting netting of off-balance sheet items based on legally enforceable netting rights. In total, AXA Bank Belgium pledged € 1.22 billion collateral and received € 39 million collateral. This leads to a net replacement cost of € 259 million.
b) The sum of the risk factors amounts to € 172 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 € 431 million in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to € 259 million. It is important to note that € 256 million 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 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 exceeded 10% of the eligible capital. However, due to the carve-out of the intermediation activity, the exposure on AXA Group reduced to 0.8% in Q4 2020.

4.4.3 Macro-economic outlook

The Covid-19 pandemic resulted in a challenging environment to forecast the macro-economic outlook. For AXA Bank Belgium the future evolutions of Belgian GDP, unemployment rate and the house prices are considered to be the most important macro-economic drivers to explain the future credit portfolio behaviour in terms of credit risk. This credit portfolio behaviour is expressed by means of a probability of default (PD) and loss given default (LGD) where internal methodologies are in place to estimate how these future PD and LGD levels will evolve under different macro-economic conditions for the various material credit portfolios (mortgage loan portfolio, professional loan portfolio and consumer loan portfolio). During 2020 AXA Bank Belgium regularly monitored the changing macro-economic outlooks that were published by NBB, ECB and other external sources. At the end of 2020 AXA Bank Belgium has established a level of expected credit losses that is considered to be appropriate given the macro-economic outlook that was presented in December by NBB.

AXA Bank Belgium still uses a base, upturn and adverse scenario where 60% weights is given to the base scenario and 20% each to the upturn and adverse scenario. The translation of the macro-economic outlook towards the future behaviour on the credit portfolio is extremely challenging because of the unprecedented impact on the Belgian economy of Covid-19 and the important interventions to migitate the impact of the crisis on households and companies (e.g. state support and the instalment of a moratorium). Given these circumstances AXA Bank Belgium assumes that the economic impact of the Covid-19 crisis on the credit portfolio behaviour will become visible in 2021. To reflect this timelag between the macro-economic shock and the delayed impact on the quality of the credit portfolio, an overlay is applied in the input parameters of the macro-economic overlay where this overlay is applied on the base, upturn and adverse scenario.
In line with NBB's outlook, ABB expects in a base scenario that Belgian economy recovers by the end of 2022 from the Covid-19 impact (meaning that Belgian GDP at the end of 2022 is back to a pre-Covid-19 GDP level) with a normalisation of the unemployment rate. In the adverse scenario and the upturn scenario the Belgian GDP at the end of 2022 is 11% lower and 1% higher compared to a pre-Covid-19 level. The effect of these scenario's on the future credit portfolio behaviour are estimated by means of internal models complemented with a management overlay (see section 4.4.1.1.1.3) as it is considered that the predictive power of the internal methodology to translate current macro-economic conditions into future credit behaviour is limited given the unprecedented level of the macro-economic shock.

Although in 2020 Belgian house prices continued to increase, AXA Bank Belgium foresees that in the current circumstances house prices could experience a limited correction in 2021 followed by a moderate increase in 2022 and 2023. In an adverse scenario it is expected that house prices will show an 11% decrease over the period 2021-2023. The observed increase in house prices in the first 6 months of 2020 are already reflected in the impairment levels at the end of 2020.

Scenario	HPI			Weight
	2021	2022	2023	
Base	-3.00%	0.30%	1.40%	60%
Adverse	-6.00%	-4.00%	-1.00%	20%
Upturn	-2.00%	0.00%	2.20%	20%

4.4.3.1 ECL sensitivity to Macro-economic outlook

The alternative methodology to estimate the ECL as explained in section 4.4.1.1.1.3 was calculated for the base, upturn and adverse macro-economic scenarios. As a measure of sensitivity with respect to the macro-economic outlook, the table below shows the difference in ECL compared to the base scenario, which shows mainly a high impact in the adverse scenario because of the large predicted drop in house prices in this scenario.

Sensitivity ECL compared to base scenario (€ million)		
	Upturn	Adverse
Stage 1	- 0.6	+ 2.1
Stage 2	- 2.4	+ 8.7

Stage 3	- 0.8	+ 5.6
Total	- 3.8	+ 16.4

The base scenario implies on average a predicted default rate for residential mortgage loans 36% higher than the through-the-cycle (TTC) probability of default for mortgage loans over the next 3 years. For professional loans the predicted default rate is estimated 19% above its TTC level. The base scenario also assumes a decrease in house prices of 1.3% over the next 3 years. A variation of 10% in the effective default rates for residential mortgage and professional loans would imply a difference of € 1.2 million in the expected credit losses, while a variation in the house price evolution of 1% would imply a difference of € 0.9 million in the expected credit losses. All those scenarios take into account the management overlays (cfr. item 4.4.1.1.1.3)

4.5 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, have decreased substantially in 2020 due to the intermediation carve-out, with the exception of the handling of secondary customer orders for Forex, the Eurobond and the Structured Notes activity. The banking book includes all other financial instruments that do not belong to the trading book. These mainly concern the bank's retail business.

4.5.1 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's 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.

4.5.1.1 Interest Rate Risk Management

4.5.1.1.1 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 value 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.

4.5.1.1.2 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). Although prepayment modelling is subject to a high level of uncertainty, risk management is of the opinion that this risk is mitigated via:
  - Alternative scenarios in the strategic plan with different prepayment assumptions.
  - The development of a new prepayment model (based on logistic regression) in the course of 2021.

4.5.1.1.3 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 76% have a fixed interest rate and 24% floating interest rate. The interests of the variable rate mortgages are linked to the evolution of the OLO[11] 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.

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

Interest Rate Risk Indicators (kEUR)	31/12/2020	31/12/2019
Bank SI (absolute)	31.768	-32.379
Bank SI (relative)	3,1%	-3,2%
Bank NII (+ 10 bps)	2.162	706
Bank NII (- 10 bps)	-10.688	-6.585

4.5.2 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.

4.5.2.1 Market Risk Management

4.5.2.1.1 Risk Policy, Limits Framework and Reporting

AXA Bank Belgium maintains a very conservative approach to market risk of its trading book. As part of the intermediation carve-out strategy, market risk on intermediation activity has declined in 2020.

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 the bank 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.

4.5.2.1.2 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.

4.5.2.1.3 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.

As of 2020 AXA Bank Belgium is offering externally issued EMTNs towards retail clients. During the period of commercialization AXA Bank Belgium bears the full market risk as Front office agrees on a forward sale with the external issuer 6-8 weeks before the issuance of the note. AXA Bank Belgium currently calculates the VaR of the third party EMTN in a conservative way. As per end of December 2020 AXA Bank Belgium was not in the process of commercializing any of these types of EMTNs.

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 € 5.8 million. 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 2020 is equal to € 0.56 million and therefore well below the predefined limit. Finally, this model is subject to the appropriate yearly back testing and validation by an external auditor to preserve the accuracy and relevance of the model.

4.5.3 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 Bank Belgium had no requirement for FX risk in 2020 as its net FX position never exceeded 2% of its equity.

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[12] 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 (as part of its Solvency II approach). 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, the focus for 2020 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, pandemic, social unrest,...)

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 2020,

[12] 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).

efforts continued for further optimisation of the 'Loss Data Collection' process. Focus point for 2020 was to move from reactive Operational Risk Management, mainly supported by incident actions and the yearly ORM cycle, to a more pro-active risk management. In this sense, incidents and internal control findings are used as a starting point for continuous operational risk assessment. The team also worked on developing an updated and more encompassing ORM Charter that treats the importance and main aim of Operational Risk Management within AXA Bank Belgium. In this Charter, the risk appetite framework is incorporated, in which the playing field for operational risk in AXA Bank Belgium's processes is defined and monitored.

The Group tool for Risk Management was not deployed in 2020 in light of the possible sale of the Bank. In the beginning of 2021, an AXA Bank Belgium tool for Operational Risk Management & Internal Control was deployed which combines all activities of the department and will leverage 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 and information risk dashboard in which key risk indicators (KRI's) are measured on a quarterly basis. Both dashboards are presented to the Audit, Risk and Compliance Committee (ARC) each quarter and are in line with the boundaries set in the risk appetite framework for operational risk.

The team of Internal 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 and 2020. 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. All core banking processes have been covered. By 2021, all processes of AXA Bank Belgium will have been reviewed and controls structurally documented and tested. This activity will also make use of the AXA Bank Belgium tool that will be deployed in 2021.

4.7 Other Risks

4.7.1 Political and regulatory Risk

AXA Bank Belgium mitigates this risk through a political monitoring in all countries where it is active by the local senior management. The non-retail credit risk team monitors closely all countries in which AXA Bank Belgium or one of its subsidiaries has an exposure due to investment portfolio, derivative activities, repo activities, ….

Brexit can have an impact with respect to exposures towards financial counterparties, exposure to clients and service providers.

- With respect to client exposure, AXA Bank Belgium currently has no material exposure towards UK corporate or retail clients. Regarding the indirect impact (which is especially relevant if the transition period ends without proper arrangements between the EU and the UK), there might be a negative impact on some Belgian enterprises (and hence on the Belgian economy) which my lead to a limited negative impact on the loan portfolio.
  This indirect impact is reflected in ABB's macro-economic outlook where in 2020 the outlook is revised significantly downward mainly driven by the COVID-19 crisis.
- Regarding service providers:
  - AXA Bank Belgium uses certain UK service providers, but none considered as essential.
  - There are no UK insurance contracts

The main impact is therefore coming from exposure towards financial counterparties (central counterparties and banks). For central counterparty exposures (cleared derivatives), AXA Bank Belgium has a significant exposure towards LCH Swapclear (UK based CCP) via its two clearing members (HSBC and Credit Suisse):

For the CCP direct exposure, the European Commission grants temporary equivalence to the UK CCPs until 30/06/2022. LCH Swapclear can continue to offer clearing services to its EU clients. Alternatively, AXA Bank Belgium could use Eurex (EU based CCP). The access to this CCP was prepared in 2018/2019 but this has not been finalised due to the recognition of LCH Swapclear.
For the exposure to the clearing members (brokers):

- HSBC: all deals were transferred to an EU HSBC branch in 2019
- Credit Suisse: AXA Bank Belgium is currently finalising the transfer of deals to CS Madrid, which will be done before the end of the year

For the institutional non-CCP exposure, AXA Bank Belgium has the following instruments:

- Listed derivatives: all listed derivatives are traded with CS (UK based). These trades are also transferred to CS Madrid before year end.
- OTC derivatives: AXA Bank Belgium is repapering the required UK counterparty deals and is expected to have this completed by year-end.

As a conclusion, all necessary preparations have been made with respect to Brexit and AXA Bank Belgium only faces limited Brexit risk.

To ensure a clear view on the regulatory environment AXA Bank Belgium has defined a Regulatory Watch framework, which mainly consists of a Regulatory Watch inventory and its respective correspondents.

4.7.2 ESG Risk

Sustainable finance and related ESG risks are a top priority for regulators. Sustainable finance refers to the process of taking due account of environmental and social considerations when making investment decisions, leading to increased investment in longer-term and sustainable activities.

While ESG focuses on environmental, social and governance related matters, the main focus of ESG risks is currently linked to the management of climate-related and environmental risks. This is evidenced by regulatory publications focusing mainly on these aspects.

As an important financial intermediary, AXA Bank Belgium recognizes its societal role with respect to the management of ESG risk. Part of a worldwide insurance group, AXA Bank Belgium is contributing to AXA Group ambitious goals and KPIs. In addition, AXA Bank Belgium acknowledges the specific banking context in which it operates resulting in strategic decisions. Overall, AXA Bank Belgium's ESG strategy is to be compliant with all regulatory expectations, to support AXA Group in the execution of its ESG strategy and to acknowledge AXA Bank Belgium's banking context within an insurance group.

AXA Bank Belgium is currently focusing on the implementation of the EBA Guidelines on loan origination and performing a self-assessment and making an action plan to comply with ECB's expectations regarding climate and environmental risk.

4.7.3 Model Risk

AXA Bank Belgium defines model risk as the risk of losses arising from decisions based on incorrect or misused model outputs and reports. It is a material risk, hedged by processes.

Model risk is mitigated thanks to processes and indirectly by capital through add-ons in the IRB retail credit risk and as well in economic capital model for IRRBB since 2018 (In 2019, a review of the economic capital model for interest rate risk in the banking book (IRRBB) resulted in a new € 20 million model risk add-on). Therefore, it is indirectly part of the ECAP computation. In order to better mitigate model risk, AXA Bank Belgium put in place a model risk management framework in 2019. AXA Bank Belgium's model risk management framework is documented in a model risk management policy and is closely aligned to the overall risk management framework of the bank

The main improvement point of the model risk management framework is the addition of a model ranking methodology. A process was developed to assess whether or not a quantitative methodology is a model or not. The ranking also defines the model review frequency and the level of testing to be performed by the modelling (monitoring) and the validation team. The methodology is based on an assessment of model complexity and model materiality and is explained in more detail in the model risk management framework. AXA Bank Belgium's IRB models receive the highest scoring and therefore require independent testing to be performed by the validation team

4.7.4 Pension Risk

AXA Bank Belgium's pension risk is linked to several defined contribution pension plans and to a pension fund:

- Defined contribution pension plans: The risk is assessed to be immaterial as all market and insurance risk is transferred to the insurer (AXA Belgium). Moreover, the IAS 19 obligations are not affecting AXA Bank Belgium since the taxes are based on local account rules and not on IFRS.

- Pension fund: The risk is assessed to be immaterial as Economic Capital < € 5 million and the exposure is expected to further decrease as the fund is in run-off.

The annual IAS 19 calculations mitigate this risk. The risk is also integrated in the economic capital calculation.
Moreover, the operational risk associated to the pension plans and fund is reviewed during the annual operational risk assessments.

4.7.5 Business Risk

Business risk is the Risk arising from a bank's long-term business strategy. It deals with the bank not being able to keep up with the assumed balance sheet, which implies uncertainty in profits or danger of loss. Business risk can also arise from the bank choosing the wrong strategy. Business risk is identified, measured and mitigated through capital and processes (ECAP + stress testing scenarios). The ECAP scenario starts from the central strategic plan scenario and assumes stress on the mortgage production volumes and the margins over a 3 year period (adverse scenario).The business risk scenario is updated assuming lower margins (lower P&L) as well as higher production levels (higher RWA).

4.7.6 Settlement Risk

Settlement risk is the risk that arises when payments are not exchanged simultaneously. The simplest case is when a bank makes a payment to a counterparty but will not be compensated simultaneously. The risk is that the counterparty may default before making the compensating payment or delivery of the financial instrument.

This risk can theoretically appear in several areas at AXA Bank Belgium: in wholesale risk transactions (derivatives transactions, foreign exchange transactions and bonds transactions) and in retail risk transactions. The risk is considered immaterial by AXA Bank Belgium.

4.7.7 Securitisation Risk

Securitisation risk is the risk related to the setting up of securitisation transactions such as correct regulatory reporting, understanding and measuring of transfer of credit risk, stress testing, etc... Securitisation risk is applicable at the end of 2020 as AXA Bank Belgium set up a synthetic securitisation transaction as explained in section 4.2.5. As AXA Bank Belgium calculates regulatory capital requirements based on the SEC-IRBA approach, the risk is mitigated via capital and processes.

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:

- future cash flows are calculated based on product features (client's interest rate, payment frequency, end date, etc.);
- these cash flows are subsequently adjusted to take into account:
    - 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);
    - caps and floors embedded in floating mortgage loans;
    - expected credit losses
- Lastly, the (adjusted) cash flows are discounted based on the €STER curve, increased by a liquidity spread and a spread that covers other (administrative) costs.

Improvements were made to our valuation model in 2020. The expected credit losses and the liquidity spread and other costs spread are new elements that we will also be charging from December 2020. Thus, fair value takes better account of all the costs associated with retail products. These refinements were not applied to the 2019 figures. For the sake of completeness, we also indicate that the commercial margin was not included in the discounting. The impact of this refinement in valuation methodology is a decrease in fair value of 1.23 billion EUR.

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.

Financial assets held for trading & hedging derivatives

Derivatives that have an objective of a hedging strategy and which, depending on whether or not they meet the IAS39 conditions to apply so-called hedge accounting, are included under 1 of both headings. The estimated fair value represents also the discounted amount of future expected cash flows where the most significant observable market data used are a market interest rate, an exchange rate, the price of underlying assets.

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.

Financial liabilities held for trading & hedging derivatives

These are the same type of derivative transactions as included among the financial assets held for trading & hedging derivatives.

The third category includes:

Assets

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.

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

This includes derivative transactions concluded within the framework of the issuance of EMTNs where an interest payment is exchanged against the remuneration structure equal to the remuneration on the EMTN's. The fair value of these derivatives is determined using the discounted cash flow method, using volatility based on historical data as non-observable inputs.

Liabilities

Financial Liabilities Held for Trading

This is the same type of derivative transactions as included among the financial assets held for trading.

Financial Liabilities Designated at Fair Value through Profit or Loss

EMTNs issued – as for the the derivatives 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 7 million EUR (2019: 13.5 million EUR). This also applies to derivative transactions as they reflect the remuneration structure included in the EMTNs.

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 2020.12 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	63.651		33.974	29.676
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	733.173	733.063	61	49
Assets derivatives - hedge accounting	215		215	
Financial liabilities held for trading	73.144		70.645	2.499
Financial liabilities designated at fair value through profit or loss	881.658		438.032	443.626
Liablitities derivatives - hedge accounting	47.263		47.263	

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 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.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:				
31.12.2020	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	49	0	0	0	0	49
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	28.202	2.518	0	-1.044	0	29.676
Financial liabilities held for trading	-708	-1.791				-2.499
Financial liabilities designated at fair value through profit or loss	-465.873	120	2.311	19.816		-443.626
Total level 3 financial assets / liabilities	**-438.329**	**848**	**2.311**	**18.772**	**0**	**-416.399**

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)

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	-13.605	12.897	0	0	0	0	0	-708
Financial liabilities designated at fair value through profit or loss	-501.222	-25.927	-2.538	63.814	0	0	0	-465.873
Total level 3 financial assets / liabilities	**-489.827**	**5.347**	**-2.538**	**60.752**	**-17**	**-12.047**		**-438.329**

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) 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

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 2020 Delta	Level 1	Level 2	Level 3
Aankopen/Verkopen/Terugbetalingen	-998.154	0	0
Andere wijzigingen	0	0	0
Delta t.g.v. evolutie Marktprijzen	17.938	-908	0
TOTAAL	-980.217	-908	0

Tabel FVAL.5

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.6

Fair value hierarchy: financial instruments at amortise

Asset/Liability 2020.12 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	24.597.018	26.769.739	89.222		26.680.517
Debt securities	88.580	89.222	89.222		
Loans and advances	24.508.438	26.680.517			26.680.517
Financial liabilities measured at amortised cost	27.917.126	27.996.860		5.773.689	22.223.171
Deposits	21.353.157	21.353.157			21.353.157
Debt securities issued	6.342.459	6.422.192		5.773.689	648.503
Other financial liabilities	221.511	221.511			221.511

Table.FVAL.7

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.8

5.3 Day One Results

No day one results were recognised during the 2020 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 0.8 million EUR and gross DVA of 0.1 million EUR. The net impact (loss) thus came to 0.7 million EUR (before tax) and was recognised on the balance sheet. The evolution since 2019 (a loss (before taxes) of 1.2 million EUR) negatively impacts profit or loss (before taxes) in 2020 for 0.5 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 2020 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:

- estimation of part of the acquisition costs to be paid to intermediaries (see Chapter 2.2.1 *Financial assets and liabilities: inclusion and initial valuation)*
- 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*);
- estimation of deferred tax assets (see chapters 2.9.3 *Estimation of Deferred Taxes and* 16 *Income taxes*);
- estimation of the expected useful life and the residual value of tangible and intangible fixed assets (see chapter 2.10 *Property, Plant and Equipment* and 2.11 *Intangible Fixed Assets*)
- 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 including derivatives and financial assets at amortised cost regarding the publication in the disclosures (see chapter 5 *Fair Value of Financial Assets and Liabilities)*;
- 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 provisions for pension liabilities (see chapter 13.2 *Pension Liabilities and Other Benefits*);
- estimation of the cost of share-based payments (see chapter 13.3 *Share-based Payments);*
- determination of the hedge accounting reserve within the application of the fair value hedge (see chapter 22 *Derivatives)*
- determining control in the preparation of the consolidation scope (see chapter 25 *Investments in Subsidiaries, Joint Ventures and Associates.*
- estimation of the eligible future credit production when assessing the conditions relating to the longer-term refinancing operations (see Chapter 29.3 *TLTRO loans*)
- estimation of present obligations arising from past events in the recognition of other provisions (see chapter 31 *Provisions*);

7 Fee and Commission Income (Expenses)

Fee and commission income and expenses in '000 EUR	2020.12	2019.12
Fee and commission income		
Securities	45.115	37.680
Issued	42.146	35.840
Transfer orders		133
Other	2.969	1.707
Clearing and settlement		
Trust and fiduciary activities	727	1.567
Asset management		
Custody	727	1.567
Other fiduciary transactions		
Loan commitments		
Payment services	26.820	8.268
Structured finance		
Servicing fees from securitization activities		
Other	25.004	38.521
TOTAL	97.667	86.037
Fee and commission expenses		
Commissions to agents (acquisition costs)	40.675	39.501
Clearing, settlement and consignment	1.084	637
Other	42.594	45.922
TOTAL	84.353	86.059

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 2020.12 in '000 EUR	Net
Debt securities	747
Loans and advances	4.776
Deposits	
Debt securities issued	-14
Other financial liabilities	
TOTAL	5.509

Table GLNPL.1

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.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 2020.12 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	17.096	
Other financial liabilities		
TOTAL	17.096	

Table GLFVPL.1

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.2

With regard to the realized result in 2020, there is also an amount of -0.17 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 2020.12 in '000 EUR	*Net*
Fair value changes of the hedging instrument [including discontinuation]	-157.707
Fair value changes of the hedged item attributable to the hedged	202.616
Ineffectiveness in profit or loss from cash flow hedges	
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	44.909

Table GLHA.1

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	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.2

11 Other Operating Net Income

Other operating income and expenses in '000 EUR	2020.12	2019.12
INCOME	16.630	17.827
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	16.630	17.827
EXPENSES	0	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	0	2
TOTAL	16.630	17.826

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 2020.12 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	1.403		1.679		
> 1 year ≤ 5 year	2.855				
> 5 year	654				
TOTAAL NOMINAL AMOUNT	**4.912**		**274**		
For the lessor - residual maturity					
< 1 year	2.299		1.881		
> 1 year ≤ 5 year	9.177				
> 5 year	7.105				
TOTAAL NOMINAL AMOUNT	**18.581**		**1.881**		

Table OLA.1

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.2

13 Employee Benefits

13.1 Breakdown of Employee Benefits

Employee benefits in '000 EUR	2020.12	2019.12
Wages and salaries	55.718	61.561
Social security charges	14.797	16.089
Pension and similar expenses	7.695	7.663
Share based payments	1.685	1.753
Other	6.875	5.468
TOTAL	86.770	92.534

Table PE.1

13.2 Pension Liabilities and Other Benefits

13.2.1 General Principles

13.2.1.1 Defined Benefit Plans

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

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

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

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

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

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

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

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

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

	2020	2019	2018	2017	2016
Discount rate	0,35%	0,75%	1,55%	1,45%	1,50%
Inflation rate	1,50%	1,70%	1,70%	1,60%	1,60%
Percentage of salry increase	2,20%	2,40%	2,40%	2,30%	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 10.5 years at the end of 2020 compared to about 9.8 years at the end of 2019.
- 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 +4.9%.
- An increase of 0.5% discount rate would reduce the total DBO by -5.1% and service costs during the period by -4.4%.
- An increase of 0.5% in the inflation rate would change the total DBO by +2.1% and service costs during the period would increase by +3.0%.
- 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 +0.6%.
- An increase of 0.5% in salaries would increase the total DBO by +4.0% while service costs during the period would increase by +5.9%.

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 2020.

(In '000 EUR)	12.2020	12.2019
Changes in the commitment		
Actuarial liability at the start of the period	168.869	156.618
Service cost	5.819	5.855
Interest on the actuarial liability	944	1.896
Employee contributions.	311	351
Modification, curtailment, (incl. acquisitions and disposals, etc.)	2.610	
Actuarial profits and losses due to changes to experience.	2.441	-832
Actuarial differences resulting from change in the hyp for Demographics		
Actuarial differences resulting from change in the hyp for Financials	6.412	14.568
Benefits paid	-9.334	-9.472
Benefits paid directly by the employer.	-126	-114
Inclusion of DC plans		
Curtailments and settlements		
Actuarial liability at the end of period (A)	**177.946**	**168.869**
Evolution of plan assets hedging		
Fair value of assets at beginning of period		
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)		
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	108.106	109.083
Implicit return on assets	592	1.293
Actual return on plan hedging assets, excluding the implicit return on assets	2.906	440
Employer contributions.	8.147	6.526
Employee contributions.	311	351
Incoming (outgoing) transfers (incl. acquisitions and disposals)	1.472	
Benefits paid	-9.460	-9.586
Effect of exchange rate changes		
Recording of DC plans		
Fair value of assets at end of period	**112.073**	**108.106**
Funding of liabilities		
Underfunded plans (plan by plan)	-177.946	-168.869
Overfunded plans (plan by plan)		
Unfunded commitments (B) - (A)	-177.946	-168.869
Unrecognised past service cost		
Cumulative impact of asset ceiling		
Liabilities recorded in the statement of financial position (excluding separate assets)		
Recognised assets		
Provisions recorded	-177.946	-168.869
Net position (excluding separate assets)	**-177.946**	**-168.869**
Net economic funding (including: separate assets)		
Net position (excluding separate assets)	-177.946	-168.869
Fair value of separate assets at end of period	112.073	108.106
Net economic funding (including: separate assets)	**-65.872**	**-60.763**

Table PE.4

This variation is explained by:

- modification of finacial and demographic assumptions (see chapter **Error! Reference source not found.** Defubed benefit plans) ;
- the collective transfer of a few staff members (cross employment contracts) between AXA Bank Belgium and AXA Belgium which implies a transfer of actuarial debts of +2.6 million EUR and a transfer of separate assets of +1.47 million EUR. Of this impact 0.6 million EUR has been recognized in the annual charge for 2020 and the other part in OCI accounts.

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 2019 and 31 December 2020:

(In '000 EUR)	12.2020	12.2019
Annual pension expense and other benefits		
Service cost	6.130	6.206
Curtailments and settlements	0	0
Employee contributions	-311	-351
Interest on the actuarial liability	944	1.896
Implicit return on plan assets/separate assets	-592	-1.293
Modification, curtailment, (incl. acquisitions and disposals, etc.)	603	0
Total annual pension expense and other benefits	**6.773**	**6.459**

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 2020 and 31 December 2020 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 2020 and 31 December 2020 reflects the changes in the provision recognised in the accounts of AXA Bank Belgium and the changes in separate assets.

(in '000 EUR)	12.2020	12.2019
Evolution of the provision on the balance sheet		
Provision recorded in the balance sheet at beginning of the period	**-168.869**	**-156.618**
Annual pension expense and other benefits	-7.073	-8.102
Employer contributions.		
Employer benefits	126	114
Benefits paid by separate assets	9.334	9.472
Actuarial gain/losses recognised in other comprehensive income	-8.853	-13.735
Modification, curtailment, (incl. acquisitions and disposals, etc.)	-2.610	
Provision recorded in the balance sheet at the end of the period	**-177.946**	**-168.869**
Fair value of separate assets at end of the period	112.073	108.106
Net economic funding for commitments at the end of the period	**-65.872**	**-60.763**

Table PE.6

13.2.5 Upcoming Outflows (Benefits Paid and Employer Contributions)

Estimated future benefit payments

Expected future benefits amounted to 5.25 million EUR for 2021 and 3 million EUR for 2022. 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 2021 for pension commitments is 8 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 instruments settled in shares.
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.

2020.12	Options (in '000')	Average Price (in '000 EUR)
Outstanding at 1/1	63,8	
Allocations	0,0	
Capital increases	0,0	
Excercised	-8,4	15,09
Options expired and cancelled	-2,2	15,43
Other movements	0,0	
Outstanding at 31.12	**53,2**	**15,64**

Table PE.7

2019.12	Options (in '000')	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.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
2011-03-18	14,73 €	5.042,00	5.042,00
2012-03-16	12,22 €	4.250,00	4.250,00
2013-03-22	13,81 €	4.800,00	4.800,00
2014-03-24	18,68 €	13.830,00	13.830,00
2015-06-19	22,90 €	6.410,00	6.410,00
2016-06-06	21,52 €	18.886,00	18.886,00

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, one investment option was proposed in 2021: the traditional shareholder plan .

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 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 13.76 EUR for the traditional plan (20% discount when compared to the reference price of 17.20 EUR calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) during the past financial year. The AXA Bank Belgium employees subscribed for an amount of 0.422 million EUR.

	2020		2019	
	Traditional	Leveraged	Traditional	Leveraged
Plan maturity (in years)	5	N/A	5	5
[A] Discount to face value	20,00%	N/A	20,00%	4,99%
Reference price (in '000' EUR)	17,2	N/A	22,87	22,87
Subscription price (in '000' EUR)	13,76	N/A	18,3	21,73
Interest rate on employee loan	6,12%	N/A	6,74%	6,83%
5-year risk-free rate (euro zone)	-0,67%	N/A	-0,64%	-0,64%
Dividend yield	8,55%	N/A	8,16%	8,16%
Early exit rate	1,62%	N/A	2,15%	2,15%
Debit interest rate	0,17%	N/A	0,15%	0,15%
Retail/institutional volatility spread	N/A	N/A	N/A	1,24%
[B] Cost of the lock-up for the employee	16,88%	N/A	19,32%	4,98%
[C] Opportunity gain	N/A	N/A	N/A	0,90%

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	2020.12	2019.12
Marketing expenses	2.128	3.895
Professional fees	10.211	11.699
IT expenses	37.741	41.381
Rents to pay or to receive	-1.376	-1.210
Operating leases	1.405	1.729
Bank taxes & contributions	46.979	42.870
Other	35.524	35.431
TOTAL	132.611	135.795

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 2020 banking tax amounts to 25.1 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 2020, the contributions are based on a combination of 2 guidelines:

- 20.0 % in accordance with a target determined at national level (contribution to the Belgian deposit guarantee system – DGS)
- 80.0 % 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 2020 contribution (DGS & SRF) for AXA Bank Belgium amounts to 19.9 million EUR and the contribution for AXA Bank Europe SCF towards the SRF to 1.29 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 2020 contributions for an amount of 0.94 million EUR.

15 Impairment

In relation to the impact of the current covid19 crisis en the way AXA Bank Belgium is coping with this we refer to the part related to risk management and especially to the items 4.1 and 4.6.1.1.

15.1 Overview of financial assets in arrears.

2020.12 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	115.778	748		64.932	21.127		9.863	7.864	88.048
Central governments									
Credit institutions									
Non credit institutions	4.185			3.355	50		617	407	2.775
Corporate	9.225	47		9.312	2.822		588	1.396	7.956
Retail	102.368	701		52.264	18.255		8.658	6.061	77.317
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	43.432	54		13.350	2.762		733	457	3.972
Mortgage loans	51.808	647		35.091	14.831		7.351	5.249	65.169
Term loans	1.838	1		3.164	371		383	278	4.386
Current accounts	5.290			659	290		191	77	1.407
Other									2.383
Other financial assets									
<u>TOTAL</u>	115.778	748		64.932	21.127		9.863	7.864	88.048

Table IMP.1

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		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			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.2

15.2 Additions or reversals of impairments

Overview of impairment 2020.12 in '000 EUR	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	49.956	25.153	24.802
Financial assets at fair value through other comprehensive income			
Financial assets at amortised cost	49.956	25.153	24.802
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	49.956	25.153	24.802

Table IMP.3

The additions on impairment losses related to finanancial assets at amortised cost includes a management overlay in relation to the current Covid19 crisis for an amount of 11.37 mio € (for more information regarding this overlay we refer to item 4.4.1.1.1.3

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.4

Changes in gross carrying amount between the beginning and the end of annual period
2020.12
in '000 EUR

Financial assets at fair value through other comprehensive income

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	1.713.201			1.713.201
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	112.367			
Financial assets derecognised	-1.072.118			-1.072.118
Changes in interest accrual	-8.212			-8.212
Capital and other movements	-12.252			-12.252
Closing balance	732.986			732.986

Financial assets at amortised cost

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	83.641			83.641
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	-18			-18
Capital and other movements	4.957			4.957
Closing balance	88.581			88.581

Consumer Loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	735.854	66.009	5.552	807.415
Transferts				
From Stage 1 to Stage 2	-89.907	89.907		
From Stage 1 to Stage 3	-4.115		4.115	
From Stage 2 to Stage 1	31.906	-31.906		
From Stage 2 to Stage 3		-13.927	13.927	
From Stage 3 to Stage 1	608		-608	
From Stage 3 to Stage 2		5.511	-5.511	
New financial assets originated or purchased	338.723	343	97	339.163
Financial assets derecognised	-72.950	-10.413	-2.862	-86.225
Write offs			-924	-924
Changes in interest accrual	-238	-33	-6	-277
Capital and other movements	-187.368	-22.743	-3.369	-213.480
Closing balance	752.513	82.748	10.411	845.672

Mortgage loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**18.404.224**	**1.322.254**	**218.281**	**19.944.759**
Transferts				
From Stage 1 to Stage 2	-1.653.776	1.653.776		
From Stage 1 to Stage 3	-32.320		32.320	
From Stage 2 to Stage 1	1.252.477	-1.252.477		
From Stage 2 to Stage 3		-189.285	189.285	
From Stage 3 to Stage 1	6.386		-6.386	
From Stage 3 to Stage 2		106.421	-106.421	
New financial assets originated or purchased	3.804.670	249.804	294	4.054.768
Financial assets derecognised	-1.590.384	-142.739	-39.651	-1.772.774
Write offs			4.136	4.136
Changes in interest accrual	3.892	-25	8	3.875
Capital and other movements	-1.046.384	-84.654	-22.094	-1.153.132
Closing balance	**19.148.785**	**1.663.075**	**269.771**	**21.081.631**

Term loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**1.638.691**	**182.302**	**49.889**	**1.870.882**
Transferts				
From Stage 1 to Stage 2	-506.438	506.438		
From Stage 1 to Stage 3	-3.990		3.990	
From Stage 2 to Stage 1	201.824	-201.824		
From Stage 2 to Stage 3		-45.318	45.318	
From Stage 3 to Stage 1	2.710		-2.710	
From Stage 3 to Stage 2		18.706	-18.706	
New financial assets originated or purchased	544.009	16.229	478	560.716
Financial assets derecognised	-70.215	-16.733	-10.512	-97.460
Write offs			2.784	2.784
Changes in interest accrual	-196	-30	-15	-241
Capital and other movements	-184.521	-31.771	-5.668	-221.960
Closing balance	**1.621.875**	**427.999**	**64.848**	**2.114.722**

Current accounts	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**62.192**	**11.002**	**8.384**	**81.578**
Transferts				
From Stage 1 to Stage 2	-10.349	10.349		
From Stage 1 to Stage 3	-2.521		2.521	
From Stage 2 to Stage 1	8.791	-8.791		
From Stage 2 to Stage 3		-3.241	3.241	
From Stage 3 to Stage 1	671		-671	
From Stage 3 to Stage 2		1.065	-1.065	
New financial assets originated or purchased	20.525	2.324	144	22.993
Financial assets derecognised	-24.797	-3.715	-4.392	-32.904
Write offs			946	946
Changes in interest accrual	-19	14	179	174
Capital and other movements	-10.901	1.212	-817	-10.507
Closing balance	**43.591**	**10.219**	**8.470**	**62.280**

Other	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	775.964		2.385	778.349
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			24	24
Financial assets derecognised			-167	-167
Write offs				
Changes in interest accrual				
Capital and other movements	-285.434		140	-285.294
Closing balance	490.530		2.383	492.913

Reverse repo	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	687.896			687.896
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	-687.896			-687.896
Write offs				
Changes in interest accrual				
Capital and other movements				
Closing balance				

The changes in the following tables related to mortgages and term loans (for the professional loans) includes also the management overlay in relation to the current Covdi19 crisis for an amount of 11.37 mio € and according the following detail :

Summary management overlay (mio €):	Stage 1	Stage 2	Stage 3	Total :
Mortgage loans :	0,51	2,24	2,0	4,75
Term loans				
professional credits :	1,30	4,22	1,1	6,62
Total :	1,81	6,46	3,10	**11,37**

Changes in loss allowances between the beginning and the end of annual period
2020.12
in '000 EUR

Financial assets at amortised cost

Consumer Loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**-1.222**	**-3.700**	**-2.402**	**-7.324**
Transferts				
From Stage 1 to Stage 2	197	-2.710		-2.513
From Stage 1 to Stage 3	20		-824	-803
From Stage 2 to Stage 1	-90	1.089		999
From Stage 2 to Stage 3		1.170	-1.864	-695
From Stage 3 to Stage 1	-4		97	93
From Stage 3 to Stage 2		-345	557	212
New financial assets originated or purchased	-1.023	-90	-20	-1.134
Financial assets derecognised	94	412	176	682
Write offs			924	924
Change in credit risk	1.168	817	726	2.711
Changes due to update in the institution's methodology for estimation	-46	293	684	930
Autres mouvements				
Closing balance	**-906**	**-3.065**	**-1.947**	**-5.918**

Mortgage loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**-1.627**	**-6.539**	**-33.383**	**-41.549**
Transferts				
From Stage 1 to Stage 2	487	-3.966		-3.479
From Stage 1 to Stage 3	12		-680	-668
From Stage 2 to Stage 1	-1.451	3.912		2.462
From Stage 2 to Stage 3		1.730	-5.239	-3.510
From Stage 3 to Stage 1	-7		103	96
From Stage 3 to Stage 2		-1.351	1.703	352
New financial assets originated or purchased	-737	-3.469	-35	-4.240
Financial assets derecognised	125	718	795	1.636
Write offs			4.136	4.136
Change in credit risk	1.524	-403	228	1.349
Changes due to update in the institution's methodology for estimation	-232	608	-1.849	-1.472
Autres mouvements				
Closing balance	**-1.906**	**-8.762**	**-34.219**	**-44.886**

Term loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-1.299	-3.268	-17.043	-21.610
Transferts				
From Stage 1 to Stage 2	611	-6.381		-5.770
From Stage 1 to Stage 3	7		-412	-405
From Stage 2 to Stage 1	-431	2.924		2.493
From Stage 2 to Stage 3		1.155	-4.936	-3.780
From Stage 3 to Stage 1	-27		308	281
From Stage 3 to Stage 2		-564	1.747	1.183
New financial assets originated or purchased	-1.387	-802	-314	-2.503
Financial assets derecognised	45	259	292	595
Write offs			2.784	2.784
Change in credit risk	231	-2.276	-596	-2.640
Changes due to update in the institution's methodology for estimation	-373	-697	-690	-1.759
Autres mouvements				
Closing balance	-2.623	-9.650	-18.858	-31.131

Current accounts	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-130	-401	-4.560	-5.091
Transferts				
From Stage 1 to Stage 2	23	-42		-20
From Stage 1 to Stage 3	9		-840	-831
From Stage 2 to Stage 1	-34	323		288
From Stage 2 to Stage 3		138	-852	-714
From Stage 3 to Stage 1	-24		88	64
From Stage 3 to Stage 2		-75	122	47
New financial assets originated or purchased	-158	-571	-103	-832
Financial assets derecognised	77	134	100	311
Write offs			946	946
Change in credit risk	160	197	1.076	1.434
Changes due to update in the institution's methodology for estimation	-17	-40	-8	-65
Autres mouvements				
Closing balance	-96	-336	-4.031	-4.462

Other	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance			-2.383	-2.383
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			-47	-47
Financial assets derecognised			162	162
Write offs			154	154
Change in credit risk			-269	-269
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
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

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 17.8 million.

15.3 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.
The changes in the following tables related to mortgages and term loans (for the professional loans) includes also the management overlay in relation to the current Covdi19 crisis for an amount of 11.37 mio € and according the following detail :

Summary management overlay (mio €):	Stage 1	Stage 2	Stage 3	Total :
Mortgage loans :	0,51	2,24	2,0	4,75
Term loans				
professional credits :	1,30	4,22	1,1	6,62
Total :	1,81	6,46	3,10	**11,37**

Credit exposure
2020.12
in '000 EUR

Maximum exposure to credit risk - Financial instruments subject to impairment

Stage 1

	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments	821.567		821.567
Loans & advances (balance)	22.057.295	-5.529	22.051.766
Reverse repo			
Consumer Credit	752.513	-906	751.607
Mortgage loans	19.148.785	-1.906	19.146.879
Term loans	1.621.876	-2.622	1.619.254
Current accounts	43.591	-96	43.496
Other	490.530		490.530
Engagement de prêts et garanties	1.525.735	-1.057	1.524.678
TOTAAL	**24.404.597**	**-6.587**	**24.398.011**

Stage 2

	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments			
Loans & advances (balance)	2.184.040	-21.813	2.162.227
Reverse repo			
Consumer Credit	82.748	-3.065	79.683
Mortgage loans	1.663.075	-8.762	1.654.313
Term loans	427.999	-9.650	418.348
Current accounts	10.219	-336	9.882
Other			
Engagement de prêts et garanties	83.860	-295	83.565
TOTAAL	**2.267.900**	**-22.108**	**2.245.792**

Stage 3

	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments			
Loans & advances (balance)	355.881	-61.435	294.445
Reverse repo			
Consumer Credit	10.410	-1.947	8.463
Mortgage loans	269.771	-34.219	235.552
Term loans	64.848	-18.858	45.990
Current accounts	8.470	-4.030	4.440
Other	2.383	-2.382	1
Engagement de prêts et garanties	1.900	-286	1.614
TOTAAL	**357.781**	**-61.722**	**296.059**
TOTAL	**27.030.278**	**-90.417**	**26.939.861**

Maximum exposure to credit risk - Financial instruments not subject to impairment	
Equity	187
Debt instruments held for trading	0
Derivatives	63.865
Other	132.858
TOTAAL	**196.910**

Carrying amount of financial assets pledged as collateral for	**2.168.193**
Liabilities	1.200.520
Contingent liabilities	967.673

Table IMP.7

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
Engagement de prêts et garanties	1.090.135	-1.124	1.089.011
TOTAAL	**25.191.798**	**-5.401**	**25.186.397**

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			
Engagement de prêts et garanties	129.348	-577	128.771
TOTAAL	**1.710.915**	**-14.485**	**1.696.430**

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
Engagement de prêts et garanties	516	-63	453
TOTAAL	**285.007**	**-59.832**	**225.176**
TOTAL	**27.187.721**	**-79.718**	**27.108.003**

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
TOTAAL	**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.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

During the 2020 financial year, AXA Bank Belgium used the last transferable tax losses for a total amount of €20 million, and the taxable profit calculated at the statutory Belgian tax rate ultimately resulted in corporate tax due of €10.6 million.

In 2020, there is no DRD deduction of the current year available, nor from previous fiscal years.

Main elements of the tax estimate:

- Accounting result based on Belgian accounting rules ("Belgian GAAP"): 37.6 million EUR
- Disallowed expenses : 14.0 million EUR (including the aforementioned corporation tax)
- Movements in taxed reserves (depreciation & provisions): 10.9 million EUR
- DBI deduction: none
- Risk capital deduction: none
- Imputation of transferable tax losses: - EUR 20 million

AXA Bank Belgium has tax-free reserves in its own funds amounting to EUR 213.1 million (unchanged since 2017) on which no deferred tax was calculated. If these reserves were to be disbursed, they would be taxed. As long as the bank is a 'going concern', these reserves are required as part of the bank's own operating funds and there is no intention to disburse it.

Another important contribution to the total tax charges is corporation tax on the taxable results of the French subsidiary AXA Bank Europe SCF for a total amount of €6.7 million (statutory rate 28.92 %). The main tax adjustments relate to the issuance costs charged immediately for tax purposes and the contribution to the Single Resolution Fund which is rejected.

The deferred tax assets mainly relate to adjustments related to the calculation of the provisions pertaining to pension schemes, the taxed reserves as well as temporary differences resulting from the calculation of the effective interest rate on the loan portfolio at AXA Bank Belgium. Based, among other things, on the basis of the AXA Bank Belgium budget exercise on a 5-year time horizon, taking into account a margin regarding uncertainties in the assumptions used, the estimate is that these can be settled in accordance with the local tax rules.

Reconciliation of statutory tax to effective tax 2020.12 in '000 EUR	*Net amount*	%
1. Tax expense using statutory rate	-21.726	
1.1. Net profit before taxes	86.903	
1.2. Statutory tax rate		25,00%
2. Tax impact of rates in other jurisdictions	-57	
3. Tax impact of non taxable revenues	-796	
4. Tax impact of non tax deductible expenses	1.176	
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	13	
9. Tax impact from under or over provisions in prior periods	633	
10. Other increase (decrease) in statutory tax charge	-521	
11. Tax expense using effective rate	-21.277	
11.1. Net profit before taxes	86.903	
11.2. Effective tax rate		-24,48%

Table IT.1

Reconciliation of statutory tax to effective tax 2019.12 in '000 EUR	*Netto bedrag*	%
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.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. Regarding these temporary differences, the major part relates to the calculation of pension plan provisions and the calculation of the effective interest rate on the loan portfolio of AXA Bank Belgium. Based on the budget analyses carried out by management, AXA Bank Belgium does not expect any issues regarding the recoverability of these claims.

Tax liabilities are also mainly temporary differences resulting from IFRS adjustments with regard to the calculation of the effective interest rate on the loan portfolio at SCF AXA Bank Europe and the fair value measurement of the securities portfolio.

In the following analysis of assets and deferred tax liabilities, no legal entity is distinguished however distinction is made between tax entities.

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

	31-12-20	31-12-20	31-12-20
Analysis of deferred tax assets and liabilities	**Net deferred tax assets**	**Net deferred tax liabilities**	**Net deferred taxes**
Deferred taxes through result	28.459	-15.620	12.839
Invested financial assets	17.116	-11.885	5.230
Pensions and other retirement benefits	4.304		4.304
Employee benefits (other than Pensions)	1.341		1.341
Other provisions for risk and other charges	4.372		4.372
Tax losses			
Other assets	1.326		1.326
Other liabilities		-3.735	-3.735
Deferred taxes through revaluation reserve for financial assets at fair value through other comprehensive income		-2.498	-2.498
Deferred taxes through cash flow hedge revaluation reserve			
Deferred taxes through profit and losss on defined benefit plans	11.426		11.426
Deferred taxes on reserves for income through Stock Option Plan			
Deferred taxes on reserves for fair value changes on own credit risk financial liabilities	1.527		1.527
Total deferred taxes	**41.412**	**-18.118**	**23.294**

Table IT.3

	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 (including assets backing UL and excluding investments	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 available for sale	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.4

Income tax expense current and deffered in '000' EUR	2020.12	2019.12
Current income tax expense, net	16.795	8.856
Deferred tax expense, net	4.482	11.139
Total	21.277	19.995

Table IT.5

Deferred tax assets per expected date of utilization

31-12-20	*Deferred tax asset-expected date of utilization* *1 year*	*Deferred tax asset-expected date of utilization* *2 year*	*Deferred tax asset-expected date of utilization* *3 year*	*Deferred tax asset-expected date of utilization* *4 year*	*Deferred tax asset-expected date of utilization* *5 year*	*Deferred tax asset-expected date of utilization* *6 year*	*Deferred tax asset-expected date of utilization* *Between 7 and 11 years*	*Deferred tax asset-expected date of utilization* *> 11 years*	*Deferred tax asset-expected date of utilization* *No date determined*	***TOTAL***
Deferred tax asset on taxable transferred losses	0	0	0	0	0	0	0	0	0	0
Other deferred tax assets	283	2.789	45	46	4.505	302	12.067	21.373	0	41.411
TOTAL DTA	**283**	**2.789**	**45**	**46**	**4.505**	**302**	**12.067**	**21.373**	**0**	**41.411**

Table IT.6

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.7

Deferred tax assets as on the last use date

31-12-20	*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	0	0
Other deferred tax assets	283	2.789	45	46	4.505	302	12.067	0	21.373	41.411
TOTAL DTA	**283**	**2.789**	**45**	**46**	**4.505**	**302**	**12.067**	**0**	**21.373**	**41.411**

Table IT.8

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.9

Deferred tax liabilities per expected date of utilization

31-12-20	*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	**1.341**	**570**	**922**	**865**	**202**	**161**	**1.923**	**12.132**	**0**	**18.117**
TOTAL DTL	**1.341**	**570**	**922**	**865**	**202**	**161**	**1.923**	**12.132**	**0**	**18.117**

Table IT.10

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.11

Deferred tax liability as on the last use date

31-12-20	*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	1.341	570	922	865	202	161	1.923	12.132	0	18.117
TOTAL DTL	**1.341**	**570**	**922**	**865**	**202**	**161**	**1.923**	**12.132**	**0**	**18.117**

Table IT.12

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**	**0**	**2**	**25**	**3.424**	**4.263**	**12.643**

Table IT.13

17 Cash and Balances with Central Banks

	2020.12 en '000 EUR	2019.12 en '000 EUR
Components of cash and cash equivalents		
On hand (cash)	58.739	70.595
Cash and balances with central banks	3.607.585	937.036
Financial assets at amortised cost	71.564	41.094
Financial assets at fair value through other comprehensive income		
TOTAL	3.737.888	1.048.725

Table CBCB.1

18 Financial Assets Held for Trading

Counterparty breakdown Carrying value in '000 EUR	2020.12	2019.12
Derivatives held for trading		
Freestanding derivatives	63.651	743.317
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by		1.119
Central governments		
Credit institutions		1.119
Non credit institutions		
Corporate		
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	63.651	744.436

Table FATRA.1

The derivatives included here consist of the majority of:

- derivatives that have a hedge strategy as their objective but for which the IAS39 conditions are not met in order to apply so-called hedge accounting
- derivatives that reflect the fees structure of the EMTNs and thus constitute a natural hedge of these EMTs

As indicated in item 5.2, valuation techniques are used here that use market data such as yield curves, dividend yield, index levels and volatility data. AXA Bank Belgium uses information from Bloomberg, Markit or data supplied by reliable intermediaries. These prices are then validated internally or the instruments are valued using internal valuation techniques.

This information is still sufficiently available and no abnormal evolutions in margins or 'ask' prices have been observed, which means that the information is still sufficiently representative for the calculation of the fair value.

AXA Bank Belgium also offers its customers the opportunity to invest in notes issued by an external issuer. This is done by means of forward buying and sales transactions with regard to these securities, which are therefore recognised as off-balance-sheet contingent assets and liabilities.

In the exceptional event that not all securities purchased by the bank could be placed with customers or not repurchased by the issuer, AXA Bank Belgium will include these securities in its trading portfolio. However, as of 31 December 2020, there were no such securities in the trading portfolio

19 Financial Assets Measured at Fair Value through Profit or Loss

AXA Bank Belgium had no financial assets in 2019 and 2020 (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. Beside the unconsolidated holdings in subsidiaries and associated companies mentioned in point 25, this portfolio also includes the following shares:
:

Description	Fair Value 202012 in '000 EUR	Fair Value 2019.12 in '000 EUR
SWIFT	60	60
Privatrust	25	25
Europay	23	23
VISA	1	907
Banking Funding Company	2	2
NCR Corporation	77	78
TOTAL	188	1.095

Table FAAVS.3

The measurement of these financial assets, and in particular the bond portfolio, is determined based on market prices in an active market. For some shares, valuation techniques based on market data and dividend yields are used.

There were also no indications established by AXA Bank Belgium that would indicate a less liquid or active market with regard to these securities in the context of the current Covid-19 crisis. The information is still sufficiently available and no abnormal evolutions in margins or asking prices have been observed, which means that the information is still sufficiently representative for the calculation of the fair value.
This is in line with expectations as AXA Bank Belgium's investment strategy is to invest almost exclusively in highly liquid securities.

Counterparty breakdown 2020.12 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							187	
Quoted							77	
Unquoted but FV determinable							61	
Equity instruments at cost							49	
Debt instruments issued by	732.987						732.987	
Central governments	538.105						538.105	
Credit institutions	194.882						194.882	
Non credit institutions								
Corporate								
Loans & advances to								
Central governments								
Credit institutions								
Non credit institutions								
Corporate								
Retail								
Accrued income (if accounted for separately)								
TOTAL	732.987						733.174	

Table FAAVS.1

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.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.

The impairments includes a management overlay of 11.37 mio €. We refer to chapter 15 'Impairment' for more information.

Counterparty breakdown 2020.12 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	88.580						88.580	87.515	
Central governments	88.580						88.580	87.515	
Credit institutions									
Non credit institutions									
Corporate									
Loans and receivables to	22.057.295	-5.529	2.184.040	-21.813	355.881	-61.435	24.508.439	24.222.437	-17.829
Central governments								375	
Credit institutions	408.666	-26					408.640	652.112	
Non credit institutions	536.046	-561	86.822	-2.038	13.729	-4.681	629.317	736.332	-193
Corporate	1.107.991	-1.886	314.791	-7.176	44.861	-12.098	1.446.483	1.369.141	-1.429
Retail	20.004.592	-3.056	1.782.427	-12.599	297.291	-44.656	22.023.999	21.464.477	-16.207
Accrued income (if accounted for separately)									
TOTAL	22.145.875	-5.529	2.184.040	-21.813	355.881	-61.435	24.597.019	24.309.952	-17.829

Table LR.1

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.2

Loans and receivables with maturity > 1 year: 21.99 million EUR (2020) and 20.7 million EUR (2019)

Loans and receivables (excluding credit institutions) 2020.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo				
Consumer Credit		6.966	6.086	826.702
Mortgage loans		224.510	3.352	20.808.881
Term loans		371.439	1.421.912	287.766
Current accounts		3.143	15.684	38.991
Other		23.259		61.105
TOTAL		629.317	1.447.034	22.023.446

Table LR.3

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.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.

   In view of the extreme vulnerability in the residential loan portfolio due to the significant volumes of refinanced loans, any hedging situation is proactively monitored on a quarterly basis. This is based on interest bucket segmentation and time bucket segmentation. This means that swaps and fixed rate mortgages are both allocated to a certain interest bucket (based on their contractual rates) and a 'time bucket' (based on their due date). This is adjusted by taking an average commercial margin and an average contractual early repayment into account (based on ALM assumptions).

   If a hedging situation is observed either by the 'time bucket' or by the 'interest rate bucket', the corresponding hedge reserve on those loans is taken immediately in the profit and losses. However, it can also be proactively decided to either remove swaps from the hedging model or to early terminate the contract. In that case, the hedging reserve will be spread into profit and losses over the remaining life of the initial hedged portfolio.

   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.

   As part of a proactive monitoring an additional series of swaps with a notional amount of 3,120 million EUR was closed early between the end of 2016 and the end of 2019 and as well as in the course of 2020 for a total of 524 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 (124.53 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 of this depreciation for 2020 is -13.4 million EUR supplemented by a cumulative negative impact of -6.1 million EUR related to one-off write-backs in the income statement due to over-hedging observed in connection with historical swaps with high fixed interest rates. The total negative impact thus amounts to -19.5 million EUR.

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.
   This model has been ended in 2020.

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

AXA Bank Belgium's intermediation activity was discontinued at the end of 2020. After all agreements were terminated or transferred to other external parties, only a small number remained on the bank's balance sheet (notional amount of EUR 75 million).

Reform with regard to the interest rate benchmarks (so-called IBOR or RFR reform)

The change in reference interest rates only has an impact on its derivatives and the remuneration on the cash guarantee exchanged at the level of AXA Bank Belgium's financial products. With regard to the reference interest rates used, we only deal with the change from Eonia to €ster.

An initial impact occurred, as mentioned further below, in July 2020, when our central counterparty London Clearing House Ltd (LCH) decided to base the interest remuneration charged on the underlying cash guarantee at €ster instead of Eonia. The impact on the valuation of the derivatives was offset by a cash compensation so that this had no effect for the parties concerned. As stated below, this did however have a consequence at AXA Bank Belgium in terms of the established inefficiency in assessing hedging efficiency.

At present, this has no further impact on our derivatives as hedging operations are still using derivatives based on Euribor or Eonia, and subject to the change mentioned above concerning the interest payment charged on the cash guarantee, no other contractual changes have been made, not with our central counterparty LCH or with any bilateral counterparty.

As far as the organisation is concerned, the external evolution with LCH and ISDA is closely monitored by the Treasury & Intermediation Team and there is close cooperation with the legal department concerning the adaptation of bilateral contracts. In addition, a steering committee was also established with representatives of the aforementioned departments as well as ALM, risk management, IT, middle and back office and accounting.

As already mentioned in section 3.2, in view of the above-mentioned impact and the fact that the difference between EONIA and €ster was fixed, AXA Bank Belgium currently considers that there are no real future uncertainties surrounding the introduction of these changes.

We can illustrate the above with following quantitative information :

	product categories											
	Loans and advances		Deposits		Debt securities		Debt securities		Derivatives			
									OTC		Centrally cleared	
	number of contracts	carrying amount in mn €	number of accounts	carrying amount in mn €	number	carrying amount in mn €	number	carrying amount in mn €	number of contracts	notional in mn €	number of contracts	notional in mn €
referenced to EONIA									1	300,00	457	25.249,30
of which: expiring after 31/12/2021									1	300,00	424	21.827,80
of which: fallback included in contract												
referenced to EURIBOR (all tenors)							4	5,40	610	5.304,76	38	1.752,55
of which: fallback included in contract												
referenced to LIBOR (all tenors)												
of which: USD												
of which: GBP												
of which expiring after 31/12/2021												
of which: USD												
of which: GBP												
of which: fallback included in contract												
of which: USD												
of which: GBP												
referenced to €STR												
referenced to SONIA												
referenced to SOFR												

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.

It should be noted that the discount curve for transactions cleared with LCH was changed from Eonia to €ster, following LCH's decision to make this change, in July 2020, thereby creating inefficiencies as this change was not duplicated in the valuation of the hedged items. The estimated impact on the inefficiency at that moment was 5.9 mio € As mentionned previously has the impact on the fair value measurement of the derivatives been compensated by a cash exchange so that this remained neutral at level of the profit and losses of the parties involved.

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.

It should be noted that the discount curve for transactions cleared with LCH was changed from Eonia to €ster, following LCH's decision to make this change, in July 2020, thereby creating inefficiencies as this change was not duplicated in the valuation of the hedged items.

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.

It should be noted that the discount curve for transactions cleared with LCH was changed from Eonia to €ster, following LCH's decision to make this change, in July 2020, thereby creating inefficiencies as this change was not duplicated in the valuation of the hedged items.

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.

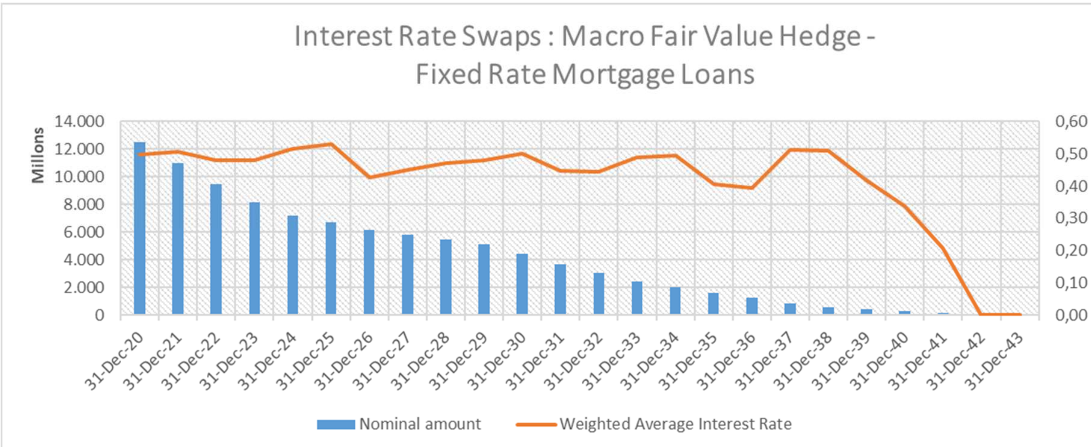
It should be noted that the discount curve for transactions cleared with LCH was changed from Eonia to €ster, following LCH's decision to make this change, in July 2020, thereby creating inefficiencies as this change was not duplicated in the valuation of the hedged items.

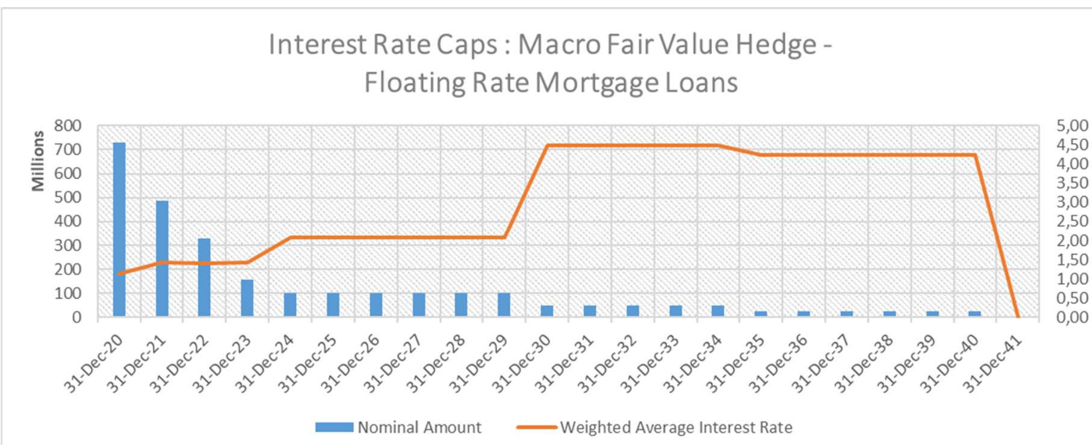
Evolution in Nominal Amount and Average Price of the Hedging Instrument

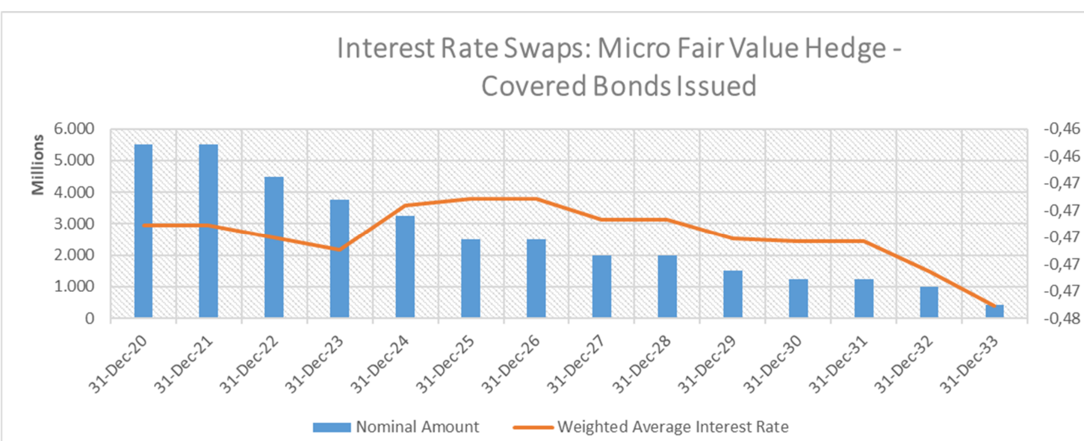
The following charts provide a picture of how the AXA Bank Belgium hedging operations can affect the amount, timing and uncertainty of the future cash flows of the hedged instruments. For the four main hedging types:

- 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

It concerns the nominal amount and the weighted average interest rate of the fixed leg of the hedging instrument.







Derivatives – Held for Trading Purposes

By nature	By type 2020.12 in '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	4.153.055	54	59.478
	IRS	4.600.163	26.477	129
	FRA			
	Forward			
	Interest future	44.700		
	Other			
Equity instruments	Equity forward			
	Equity future	9.408		
	Equity option			
	Warrant			
	Other	485.022	33.282	4.058
Currency (FX)	FX forward	302.565	3.138	2.109
	FX future			
	Cross currency swap	135.292	700	7.370
	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		**9.730.205**	**63.651**	**73.144**

Table DHA.1

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)				
TOTAL		**72.831.475**	**743.317**	**444.968**

Tabel DHA.2

Derivatives – Hedging Activities (Micro Hedging)

By type of risk	By instrument 2020.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	0	19.823	6.028.000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		0	19.823	6.028.000
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		0	19.823	6.028.000

Table DHA.3

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.4

Derivatives - Hedging Activities (Macro Hedging)

Hedging of interest rate portfolio 2020.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges	215	27.440	17.199.139
Cash flow hedges			
TOTAL	215	27.440	17.199.139

Table DHA.5

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.6

Overview Derivatives by Type of Risk

By type of risk	By instrument 2020.12 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		732.987	14.394	-140	
Interest rate	Option / Cap / Floor / Collar / Swaption	732.987			
Equity instruments	Equity forward				
Currency (FX)	FX forward				
Credit	Credit default swap				
Commodity					
Other					
Financial assets measured at amortised cost		88.580	36.313		17.199.139
Interest rate	Option / Cap / Floor / Collar / Swaption	88.580			
Equity instruments	Equity forward				
Currency (FX)	FX forward				
Credit	Credit default swap				
Commodity					
Other					
Liabilities					
Financial assets measured at amortised cost		5.688.551	160.554		
Interest rate	Option / Cap / Floor / Collar / Swaption	5.688.551			
Equity instruments	Equity forward				
Currency (FX)	FX forward				
Credit	Credit default swap				
Commodity					
Other					

Table DHA.7

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.8

See also chapter 33 *Offsetting*.

23 Property, Plant and Equipment

PPE measured after recognition using the revaluation model 2020.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	**34.925**	**1.730**	**215**	**294**	**37.163**
Additions	765	0	61	6	833
Acquisition through business combinations		1.582		761	2.343
Disposals					
Disposals through business combinations					
Depreciation	-1.938	-786	-38	-183	-2.945
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		-217			-217
Ending balance	**33.753**	**2.308**	**238**	**878**	**37.178**
Amortization financial year	1.938	786	38	183	2.945
Amortization previous year	34.557	2.285	2.153	653	39.647
Cumulated Amortization	**36.495**	**3.071**	**2.190**	**836**	**42.592**

Table PPE.1
beweging

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.2

24 Intangible Fixed Assets

Intangible fixed assets evolved from 16.7 million EUR to 18.4million 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.

As part of the same strategy, AXA Bank Belgium developed a 'GPS' tool to support the investment offer. This tool will be systematically further developed.

The project costs associated with this for the year 2020 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 2020 (Loan Origination Mortgages 3.8 million EUR – GPS 1.6 million EUR– Instant payments 0.9 million EUR)

On the intangible fixed assets realized this year and in previous years 4.7 million EUR was depreciated in 2020. The investment in instant payments was written off in full at the end of the financial year.

Given the fact that AXA Bank Belgium still has to operate as a separate bank today, the assessment of intangible fixed assets at the end of the year did not take into account possible future developments concerning the sale of AXA Bank Belgium to the Crelan group.

Other intangible assets accounted for by using the revaluation model 2020.12 in '000 EUR	*Goodwill*	*Internally developed software*	*Acquired software*	*Other internally developed intangible assets*	*Other intangible assets*	*Total carrying amount*
Opening balance		**15.687**	**1.012**			**16.699**
Additions from internal development		6.394				6.394
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 assets						
Amortization recognized		-4.402	-262			-4.664
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		**17.679**	**750**			**18.429**
Amortization financial year		4.402	262			4.664
Amortization previous year		24.695	3.894		7	28.596
Cumulated Amortization		**29.097**	**4.156**		**7**	**33.260**

Table IFA.1

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 assets						
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.2

25 Investments in Subsidiaries, Joint Ventures and Associates

AXA Bank Belgium has the following limited number of subsidiaries which she fully controls based on her participating intrest:

- 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)
- 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. Beran NV is not included in the consolidation scope of AXA Bank Belgium due to her immaterial nature. Beran NV owns the property located in Berchem, Grote Steenweg 214 (location of AXA Bank Belgium).

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').

As at the end of 2019, AXA Bank Belgium also had Motor Finance Company NV as a subsidiary under full control. It was not included in the scope of consolidation in view of its limited importance. Motor Finance Company NV (Mofico) was the vehicle in which the investments in self-banking devices were housed, which were then rented out to agents.
As a result of the establishment of Jofico (see further below), AXA Bank Belgium management has decided to transfer the remaining activities related to its investments in the self-banking activity to AXA Bank Belgium through a silent merger between AXA Bank Belgium and Motor Finance Company on the date of 30 June 2020. This also fits within the management objective to further simplify the structure of the AXA Bank Belgium group.
The assets and liabilities were therefore transferred at their book value as recorded in Mofico's assets and liabilities accounting statement at the date of 31 December 2019, and the transactions carried out by Mofico as of 01 January 2020 were, both from accounting point of view and tax point of view, deemed to have been carried out on behalf of AXA Bank Belgium. In line with the fact that the Motor Finance Company was previously not included in the consolidation due to its limited importantce, the transfer of these remaining assets and liabilities did not have a material impact on the AXA Bank Belgium consolidated balance sheet and was also not assessed based against the requirements of IFRS 3 Business Combinations.

In addition, the following companies are also included in the scope of consolidation of AXA Bank Belgium based on the control the bank has over it:

- Caspr S.à r.l. (société à responsabilité limitée), rue Eugène Ruppert 6 – 2453 Luxembourg (Grand Duchy of Luxembourg)
- Royal Street NV, Troonplaats 1 – 1000 Brussels (Belgium)

Caspr S. à r.l. is a Luxembourg limited liability company that was founded in 2020 and to which AXA Bank Belgium has transferred the credit risk of an admittedly limited part of its mortgage loan portfolio through a financial guarantee commitment. In turn, Caspr S.à r.l. transfers this credit risk to external investors by issuing credit-linked notes. This is a risk mitigation measure that has a positive impact on the risk weighting of AXA Bank Belgium's loan portfolio. For more information, please refer to section 4.9.4.1
Considering that the management of the loan portfolio remains exclusively with AXA Bank Belgium, the bank exercises a significant control over the relevant activities and associated revenues of this company, and must be included in the consolidation.

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.

AXA Bank Belgium has granted a subordinated loan to the SPV, for operational support. The outstanding amount at the end of 2020 is 2.3 million EUR. The funds of these subordinated loans were used to build up a reserve fund in the SPV, that to date has never been accessed. In addition, AXA Bank Belgium also granted perpetual subordinated loans to its subsidiary AXA Bank Europe SCF for an amount of EUR 150 million.

Subsequently, AXA Bank Belgium has, since June 2018, when Payconiq Belgium NV and Bancontact Company NV were merged into the new company Bancontact Payconiq Company, a 10% participation interest in this company

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 2020.

Summarised financial information of subsidiaries and joint ventures	Entity 2020.12 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%	1.143.939	1.140.586	450	31-12-19
	SPV Royal Street	10,00%	444.872	440.708		31-12-19
	AXA BANK Europe SCF	100,00%	7.674.089	7.498.373	9.995	31-12-19
	CASPR SàRL (LU)	0%				14-08-20
	Entity 2020.12 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%	1.969	5	-16	31-12-19
	Payconiq Belgium N.V.	10,00%	34.299	13.704	-1.364	31-12-19
	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 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.2

26 Other Assets

Carrying amount in '000 EUR	2020.12	2019.12
Employee benefits	112.506	108.672
Servicing assets for servicing rights		
Prepaid charges	1.460	265
Accrued income (other than interest income from financial assets)	10.015	11.069
Precious metals, goods and commodities		
Other advances	23	23
Other	8.853	8.422
<u>TOTAL</u>	132.857	128.451

Table OA.1

The line "Employee benefits" contains 112 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 Carrying amount in '000 EUR	2020.12	2019.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	73.144	444.968
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	73.144	444.968

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 0.9 billion EUR with a nominal amount of 0.8 billion EUR on 31 December 2020.

The changes to the debit value adjustments (DVA) amounted to -6.1 million on 31 December 2020 (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 -0.17 million EUR in OCI covers the EMTNs sold during the year.

As at 31 December 2020, no accumulated unrealized profit or loss was transferred to another equity category.

Counterparty breakdown 2020.12 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)	881.658	5.936	-84.216
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	881.658	5.936	-84.216
Convertible			
Non-convertible	881.658	5.936	-84.216
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**881.658**	**5.936**	**-84.216**

Table FLFVPL.1

Counterparty breakdown 2019.12 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)	1.129.931	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.2

29 Financial Liabilities Measured at Amortised Cost

29.1 Deposits

Counterparty breakdown 2020.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions			2.314		2.314
Current accounts / overnight deposits			2.314		2.314
Deposits with agreed maturity					
Deposits redeemable at notice					
Other deposits					
Deposits (other than from credit institutions)	2.551.425	425.262	1.489.824	16.884.331	21.350.842
Current accounts / overnight deposits	18.600	320.701	1.264.002	2.614.886	4.218.189
Deposits with agreed maturity	2.530.952	14.441	12.034	623.075	3.180.502
Deposits redeemable at notice					
Other deposits	1.873	90.120	213.788	13.646.370	13.952.151
Special deposits					
Regulated deposits	1.873	74.092	106.417	13.645.057	13.827.439
Mortgages related deposits					
Other deposits		16.028	107.371	1.313	124.712
Deposit guarantee system					
Debt certificates (including bonds)					6.335.553
Certificates of deposits					582.218
Customer saving certificates (also when dematerialised)					
Bonds					
Convertible					
Non-convertible					
Other					5.753.335
Subordinated liabilities					6.906
Other financial liabilities					221.511
Accrued expenses (if accounted for separately)					
TOTAL	**2.551.425**	**425.262**	**1.492.138**	**16.884.331**	**27.917.125**

Table FLAC.1

As mentioned in point 25, AXA Bank Belgium entered into a synthetic balance sheet securitisation transaction for the first time in 2020 by issuing a series of credit-linked notes (via Caspr S.à r.l) where 59.30 million € was placed with external counterparties. These notes are included in the 'other' line of the table above. For more background and information, please refer to section 4.9.4.1.

In addition, despite the corona crisis, AXA Bank Belgium has successfully issued a covered bond – a bond covered by mortgage loans – with a maturity of 20 years and amounting to EUR 500 million (via AXA Bank Europe SCF) on the market for institutional investors.

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					
Deposits (other than from credit institutions)	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.2

29.2 Subordinated Liabilities

Maturity date 2020.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year		157		
Current year +1		2.912		
Current year +2				
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		3.837		
TOTAL		6.906		

Table FLAC.3

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.4

29.3 TLTRO-loans

AXA Bank Belgium has an outstanding amount of EUR 1,151 million in TLTRO loans at the end of 2020. 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 (TLTRO III) consisting of 7 sections, each over a 3-year period with the possibility of early repayment after 2 years. AXA Bank Belgium has subscribed EUR 91 million in the first portion, and EUR 1,060 million in the 4th portion.

On 12 March 2020, the European Central Bank subsequently decided, in support of bank lending to those most affected by the spread of the Coronavirus-induced disease (COVID-19), in particular small and medium-sized enterprises, to change three TLTRO-III parameters, namely:

- to increase the loan volume from 30 % to 50 %,
- to amend the maximum registration amount for individual TLTRO's-III and
- to provide an early repayment option for the TLTRO-III borrowed amounts after the expiry of 12 months after the settlement of each transaction, instead of 24 months.

In addition, for the period from 1 March 2020 to 31 March 2021 (= 'special' reference period) it was decided to change the credit performance threshold to 0% (= 'special' reference period).

Going further, in order to offset the expected decrease in bank lending since 1 March 2020, the deviation from the outstanding amount benchmark will be reduced from 2.5% to 1.15% (i.e. the period from 01/04/2019 to 31/03/2021 with the exception of the aforementioned 'special' reference period) in order to achieve the maximum discount via previous lending performance criteria.

Furthermore, on 30 April 2020, the European Central Bank decided to provide for an additional temporary reduction in interest rates applicable to all TLTRO's III under certain conditions, in order to support lending to households and businesses in the context of the prevailing economic disturbances and increased uncertainty.

For the sake of completeness, we hereby state that, against the same background, the European central bank decided on 29 January 2021 to offer 3 additional portions within this series that can be subscribed to in 2021 and with expiry dates in 2024, and where the additional temporary reduction will also be extended by 1 year until 23 June 2022. AXA Bank Belgium will follow this up further and will take the appropriate initiatives in this context.

As already mentioned under the accounting principles in item 2.12, AXA Bank Belgium considers the European Central Bank, a supra-national institution operating within the framework of the European Union, to be an institution similar to a public institution. Consequently, the advantage resulting from these more favourable than market conditions is recognised as a governmental grant.
AXA Bank Belgium considers that it can benefit from this pro-market interest rate. The benefit of this pro-market interest rate is spread in result over the maturity of the respective sections of the TLTRO loan.

Based on credit production as at 31 December 2020 to non-financial corporations and individuals, with the exception of loans used for house purchases, and the corresponding estimate for the remaining period running until 31 March 2021:

- an amount of € 6,327,875 was included as a benefit in the 2020 income statement. This is the maximum amount of the benefit, in particular 50 bp below the average deposit facility rate, which in itself is also 50 bp, with a total maximum of 100 bp with the exception of an amount of €221,180.56 that concerns the period from 01 January 2020 to 23 June 2020 where we can receive up to the average deposit facility rate.
- On the balance sheet, there is another benefit to be received amounting to €16,967,916.67 of which €5,563,166.67 was calculated at 100 bp for the special interest period that runs until 23/06/2021. Out of caution regarding the current health crisis and the associated uncertainty with regard to future credit production, the average deposit facility of 50 bps was used for the remaining term to maturity.

30 Repos and Reverse Repos

As at the end of 2020 AXA Bank Belgium had no outstanding amounts in repos and reverse repos.

Transferor : Liabilities (financing obtained) 2019.12 in '000 EUR	*Total*
Repo	
Credit institutions	499.795
Other than credit institutions	
Total	499.795

Table RRR.3

Transferee : Assets (financing granted) 2019.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions	199.929
Other than credit institutions	487.967
Total	687.896

Table RRR.5

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

31 Provisions

2020.12 in '000 EUR	Restructuring	Provisions for Tax litigation and pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Other provisions	TOTAL
Opening balance (current year)		24.116	189.931	10.060	16.043	240.150
Additions		782	907	929	3.654	6.271
Amounts used		-2.633	-8.564	-1.054	-4.976	-17.227
Unused amounts reversed during the period		-5.583				-5.583
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate			6.412			6.412
Exchange differences						
Other movements			4.037	-760	904	4.181
Closing balance		16.682	192.723	9.175	15.625	234.205

Table PROV.1

2019.12 in '000 EUR	Restructuring	Provisions for Tax litigation and pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Other provisions	TOTAL
Opening balance (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.2

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

Provisions for Tax Disputes
In that regard, the bank was sued by a number of customers in damages in respect of tax disputes relating to the early 1990s for which provisions were then included. A number of these customer claims are currently pending before the competent courts.

With regard to 3 claims, there was a favourable evolution for AXA Bank Belgium in 2020. The court decided to release the taxation and therefore also rejected the request for intervention of AXA Bank Belgium. No further appeal was lodged so this development should be considered final. As a result, the bank has decided to partially release this provision amounting to 3.4 million EUR (including default interest)

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 2020, a number of new disputes have occurred with limited risk.

In addition, it was also decided to release the provision in 1 individual fraud file for an amount of EUR 2.2 million. It was replaced for the same amount by individual impairments on the credit files concerned.

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 2020 tax year, new provisions were established for an amount of 1million EUR concerning severance schemes that currently exist at AXA Bank Belgium, and a reduction in the provision for 6.98 million EUR of which 6.93 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 11.1 million EUR at 31 December 2020. In total, these provisions amounted to 13.2 million EUR at 31 December 2020.

Loan commitments and guaranties
On one hand the unfolding of a new wave of litigation cases which would fall under the Business Transfer Agreement is relatively low (however not copmletely negligable) due to the limited time available until the cut-off date under the Business Transfer Agreement, i.e. 4 November 2021 but on the other hand potential cases both at EU and local level may trigger a negative scenario and a new wave of cases.'

Other Provisions
This item includes a provision for the planned consolidation of the agent network regarding the waves initiated until 31 December 2020 to an amount of 3.9 million EUR, and various small HR-related and other provisions.

32 Other Liabilities

Carrying amount in '000 EUR	2020.12	2019.12
Employee benefits	15.661	18.268
Social security charges	4.110	7.118
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	947	1.462
Income received in advance	18.532	1.521
Other debts	17.870	17.039
TOTAL	57.120	45.408

Table OL.1

33 Offsetting

Offsetting in the Balance Sheet

IAS 32 – *Financial Instruments - Presentation* requires the presentation of financial assets and financial liabilities on a net basis when doing so reflects an entity's expected future cash flows from settling two or more separate financial instruments.

A financial asset and a financial liability shall be offset, and the net amount presented in the balance sheet when, and only when, AXA Bank Belgium

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

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

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

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

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

- LCH Clearnet CM HSBC France
- LCH Clearnet CM CSI

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). At 31 December 2020 there where however no outstanding repo or reverse repo transactions.

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 2020.12	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	245.255	181.604	63.651	28.637	33.648	1.365
Derivatives - hedging	192.237	192.022	215	34	113	67
Reverse Repos						
Total	437.492	373.626	63.865	28.671	33.762	1.432

Tableau OFFS.1

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2020.12	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	182.523	109.379	73.144	18.532	54.074	538
Derivatives - hedging	1.157.684	1.110.421	47.263	10.139	34.940	2.184
Repos						
Total	1.340.207	1.219.801	120.407	28.671	89.014	2.722

Tableau OFFS.2

Financial assets – 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		Net position
				Financial instruments	Financial guarantees	
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.3

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		Net position
				Financial instruments	Financial guarantees	
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.4

34 Contingent Assets and Liabilities

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2020.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.593.961	
Credit-replacing security	949.847	23.125.502
Collateral concerning repos, reverse repos and derivatives	1.201.668	38.875
Other obligations	6.234.236	2.381.145

Tableau CAL.1

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2019.12 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.2

AXA Bank Belgium also offers its customers the opportunity to invest in notes issued by an external issuer. This is done by means of forward buying and sales transactions with regard to these securities, which are therefore recognised as off-balance-sheet contingent assets and liabilities.

In the exceptional event that not all securities purchased by the bank could be placed with customers or not repurchased by the issuer, AXA Bank Belgium will include these securities in its trading portfolio. However, as of 31 December 2020, there were no such current issues.

In addition, the 'Other commitments' line for the financial year 2020 includes the following financial guarantees received that we would like to explain:

- €7,538,311 with regard to the first guarantee scheme activated by the Belgian government as a result of its agreement with the financial sector to support companies if they were to run into problems due to the corona crisis. This guarantee scheme exists for new loans and credit lines (not refinancing credits), which banks provide until 31 December 2020 to viable non-financial corporations, SMEs, self-employed persons and non-profit organisations with a maximum maturity of 12 months on the basis of the Royal Decree of 14 April 2020 granting a State guarantee for certain loans in the fight against coronavirus effects.

  The guarantee is structured in such a way that it doesn't cover individual loans but a portfolio or pool of loans with a breakdown into sections. The expected amount of recovery therefore depends on the performance of the other loans in the portfolio. This State guarantee is recognised separately from the loan loss allowances for expected credit losses (ECL) under IFRS 9 in accordance with IAS 37.53 and gives rise to the posting of a reimbursement asset when it is almost certain that the reimbursement will be received.

- €107,784,026 with regard to the second guarantee scheme that was activated by the Belgian government under the same agreement with the financial sector. This guarantee scheme also exists for new loans and lines of credit (no credit refinancing) until 30 June 2021 to small or medium-sized non-financial enterprises with a maturity of more than 12 months and not more than 5 years on the basis of the law of 20 July 2020 granting a State guarantee for certain credits to SMEs in the fight against the effects of the coronavirus and amending the Law of 25 April 2014 on the statute and supervision of credit institutions and stockbroking firms.

However, an important difference from the first guarantee scheme is that the second is optional, which means that the credits eligible for the guarantee are identified as such when granted with the consent of the borrower. This second State guarantee is therefore a form of credit protection that is an integral part of the contractual terms of the credits and can therefore be taken into account when assessing the expected credit losses (ECL) in accordance with IFRS 9 B5.5.55 (i.e. as a reduction for impairments, if relevant as part of LGD parameters). However, AXA Bank Belgium does not currently include this in its ECL accounts. In view of the continuing application of this guarantee scheme, the maximum guarantee amount that AXA Bank Belgium can rely on is disclosed here. The total amount of credit granted under this guarantee scheme as at 31 December 2020 is only €4,779,821.

- €59,296,000 in respect of the first synthetic balance sheet securitisation transaction carried out by the bank at the end of 2020, reflecting the financial guarantee contained in the credit-linked notes issued by the bank. This will also, if necessary, give rise to the booking of a reimbursement asset in accordance with IAS37.53.

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. The mortgage guarantees to be established are reusable in the context of any subsequent residential loans.

For limited credit amounts with a duration of up to 10 years, a mortgage promise may also be granted or credits where there is a limited deficit on the reusable guarantees
In addition, a waiver of wages and other income is required and movable guarantees with a capital guarantee can be accepted as surety. The possibility of movable guarantees is limited to group insurance or a limited number of products from AXA Belgium or AXA Bank.

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 4.4.1.1.3 *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 4.4.2.2.2 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:

  - Pledge of account balances, insurance policies and other movable guarantees: A valuation at 100% is applied for very safe products (SRRI 1 or similar) and at 80% or 60% for group insurance and other products with a higher SRRI.
  - 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.

2020.12 en '000 EUR	*Non PERFORMING*		
	Gross carrying amount	*Loss allowances*	*Maximum amount of the collateral or guarantee that can be considered*
Loans & advances			
Central governments			
Credit institutions			
Non credit institutions	13.729	-4.681	9.072
Corporate	44.861	-12.098	33.478
Retail	297.291	-44.657	233.939
<u>TOTAL</u>	355.881	-61.435	276.489

Tableau CAL.3

2019.12 in '000 EUR	*Non PERFORMING*		
	Gross carrying amount	*Loss allowances*	*Maximum amount of the collateral or guarantee that can be considered*
Loans & advances			
Central governments			
Credit institutions			
Non credit institutions	13.653	-4.285	9.368
Corporate	29.340	-10.040	19.300
Retail	241.499	-43.651	181.338
<u>TOTAL</u>	284.492	-57.976	210.006

Tableau CAL.4

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 (was still applicable during 2020).

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

2020.12 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)	33.518	17.159	19.255	24.161	199.142	7.165	300.400	9.071	12.685	322.157
Operating expenses	-47.369	-9.083	-18.662	-9.314	-44.934	-19.256	-148.618	-17.387	-44.446	-210.451
Impairments	-183	2.018	-61	-5.525	346	0	-3.405	0	-21.397	-24.802
Taxes							-24.557		3.280	-21.277
Underlying earnings	-14.034	10.093	532	9.322	154.554	-12.091	123.820	-8.316	-49.877	65.627
Discontinued Operations										
Net income										65.627

Tabel SI.1

2019.12 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.2

Main elements reported in the 'Reconciliation' column:

a) Interest margin:

- Elements added to the result in segment reporting: 4.0 million € of which 3.3 million € relates to an interest payment of a contingent convertible bond that is directly imputed on equity and is therefore not in the results.
- differences in classifications between the segment reporting and the consolidated income statement (2020: 5.3 million EUR) which we see moving to the 'loan impairments' line. This mainly concerns a different classification of recuperations on depreciated claims. In 2019, these differences in classifications amounted to 8.2 million EUR.
- certain elements not included in the operating profit in segment reporting (2020: 2.6 million EUR - 2019: - 15.6 million EUR), mainly valuation results related to the EMTNs: 18.7 million EUR offset by results attributing to derivatives: - 17.1 million EUR. (2019: - 10.3 million EUR mainly results achieved on the sale of investment securities and fair value adjustments on derivatives: - 6.0 million EUR);

b) Operating costs:

- differences in classifications between segment reporting and the consolidated income statement (2020: - 45.0 million EUR) This concerns the bank tax amount as well as the contribution to the deposit guarantee fund and resolution fund that could not be allocated to the different segments in 2020. In 2019, it concerned the bank tax amount as well as the contribution to the deposit guarantee fund & resolution fund (- 41.8 million EUR).
- differences in classifications between the segment reporting and the consolidated income statement (2020: 5.9 million EUR) which we see moving to the 'loan impairments' line.
- certain costs not included in the operating profit in the segment reporting (2020: - 3.8 million EUR - 2019: - 5.5 million EUR), mainly HR related provisions and administration costs resulting from the sale of the bank to Crelan.

c) Impairments:

- differences in classifications between segment reporting and the consolidated income statement (2020: - 11.2 million EUR). See above the comments on the interest margin relating to the recovery of depreciated claims and operating costs. In 2019, the difference in classification was – 9.3 million EUR – see also the two upper headings for more explanation.

d) Taxes

- certain elements not included in the operating profit in segment reporting (2020: 0.8 million EUR - 2019: 5.2 million EUR), tax effects on the elements not included in operating profit.

38 Related-party Transactions

Amounts to be paid and to be received from related parties 2020.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets		12		535	12.116
Shares					
Bonds					
Loans		12		535	12.116
Selected financial liabilities		8		1.197	104.326
Deposits		8		1.197	94.181
Issued securities					10.145
Notional amount of granted credit lines, financial guarantees and other guarantees					
Received credit lines, financial guarantees and other guarantees					
Notional amount of derivatives					
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.1

Expenses and income resulting from transactions with related parties 2020.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received					558.451
Interest paid					577.190
Dividends received					
Commission received					19.228
Commission paid					2.076
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 2019.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets		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.3

Expenses and income resulting from transactions with related parties 2019.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received					1.023.199
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.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	2.763	2.561
Post-employment benefits		72
Other long-term benefits	459	447
Share based payments	191	236
TOTAL	3.414	3.316

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 13,492.16 and 163,103.5 EUR.

In addition, AXA Bank Belgium considers the more favourable conditions of the longer-term refinancing operations concluded with the European Central Bank to be a form of governmental grant. For more information, please refer to item 29.3.

40 Financial Relationships with Auditors

Carrying amount in '000 EUR	2020.12	2019.12
	PWC	PWC
Remuneration of the auditors	560	540
Remuneration for exceptional activities or special commissions performed within the company by the auditors		
Other audit activities	60	145
Advisory activities		
Other activities outside audit activities	50	
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 2020 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

On October 25, 2019, AXA S.A. announced that it has entered into an agreement to sell its Belgian banking operations, AXA Bank Belgium, to Crelan Bank (“Crelan”). Under the terms of the agreement, AXA will sell 100% of AXA Bank Belgium to Crelan. In addition, AXA and Crelan have agreed to enter into a long-term P&C and Protection insurance distribution partnership, extending the existing partnership between AXA Bank Belgium and AXA Belgium to the entire Crelan network.
However, the completion of the transaction is subject to customary closing conditions, including the receipt of regulatory approvals. Due to additional questions and requirements from the national and European supervisors towards Crelan, together with the difficult circumstances as a consequence the COVID-19 pandemic, the finalization of the transaction is delayed.

However, completing the transaction is subject to the usual closing conditions, including obtaining regulatory approvals. Due to additional questions and requirements from the national and European supervisors with regard to Crelan and in combination with the difficult circumstances due to the COVID-19 pandemic, the finalisation of the transaction is delayed.

Brexit (departure of the United Kingdom from the European Economic Union)

Before the Brexit agreement between the European Union and the United Kingdom was concluded in December 2020, AXA Bank Belgium revised its ISDA/CSA agreements with all its counterparties in bilateral derivative transactions.
For its main counterparties, we have switched to entities from mainland Europe.

TLTRO

As already mentioned in section 29.3, we also mention the fact that on 29 January 2021 the European central bank decided to offer 3 additional tranches within the current TLTRO series, which can be subscribed to in 2021 with due dates in 2024 and where the additional temporary reduction will also be extended by 1 year until 23 June 2022. AXA Bank Belgium will follow this up further and will take the appropriate initiatives in this context.

The Board of Directors continues to closely monitor these events and their evolution, including the possible impact on the different types of risks to which the bank is exposed.

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

Management Committee
Peter Devlies, chairman
Jeroen Ghysel
Emmanuel Vercoustre
Frank Goossens
Peter Philippaerts
Pieter Desmedt

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 2020 Results

Table of contents

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

In 2020, AXA Bank Belgium managed to deliver very strong results driven by both increased revenues and decreased costs. Net consolidated Profit increased to 66 million euro. This was achieved in yet another challenging year for the banking sector, characterised by a continued regime of low interest rates, the ongoing high pace of investment in new tools and applications and the absorption of many regulatory requirements such as AML (Anti Money Laundering). But perhaps even more important, all of us were impacted by the COVID-19 crisis. Our bank agents and employees demonstrated an impressive flexibility by continuing to provide a high quality of services to our customers even when working remotely from home.

These financial results followed excellent commercial results, reached in several key business areas:

With regard to Loans, AXA Bank Belgium serviced high volumes in mortgages, keeping its market share stable despite the impact of the moratorium and lockdown, during which the bank managed to mitigate the effects for its customers. On the other hand, a higher level of pre-payments and refinancing weighed on the overall results. The new omni-channel approach went into production, providing future-oriented customer journey experience. Thanks to the growth in its loans business at improved margins, AXA Bank Belgium managed to limit its interest revenues decrease given the pressure on liabilities margins due to the flattened and lowered interest rate curve.

AXA Bank Belgium's fee revenues increased, with growth in Invest revenues in particular (record growth in net new inflow of +42% compared to 2019) and higher revenues from daily banking activities. In the midst of the pandemic, AXA Bank also launched its new product 'Delegio Privileged portfolio' for affluent clients and generated 163 million euro net inflow. 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 4.3 billion euro to 4.9 billion euro.

General expenses continued to decline due to tight cost control and increased automation practices to compensate the COVID-19 impact. The investment rhythm in innovation and transformation was kept at the same pace as in previous years, strengthening the bank in the delivery on its strategy. The bank taxes (incl. deposit guarantee fund contribution & SRF contribution) at 45.1 million euro still constitute a big part of the total operational costs (21%).

Throughout 2020, 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 through appropriate advice and accompanying.

More expertise and more frequent contacts with clients require larger but fewer branches, the latter being supported by increased digitalisation. The decrease from 469 to 393 branches during 2020 did not prevent the bank from realising sustained commercial volumes. In addition, for the fourth consecutive year, AXA Bank Belgium was 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 29 to 32.

Peter Devlies

Chief Executive Officer

Jef Van In

Chairman of the Board of Directors

"AXA Bank up among the top Belgian banks. Our results are very good: customer satisfaction and net result improved, despite challenging COVID context"

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 2020, 20,000 Belgian families were able to count on the support of AXA Bank when buying 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 2020, for the fourth consecutive year, with the bank award for Best Branch Network, and a runner-up spot in the Best Bank overall category.

AXA Bank Belgium SA

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 investment possibilities. AXA Bank Belgium stopped throughout the year with intermediation activities that predominantly provided derivatives to different entities within the AXA Group. This last component of intermediation activity towards other entities stopped towards the end of 2020.

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

As part of the contemplated sale of AXA Bank to Crelan by AXA SA the derivatives intermediation activity was completely stopped towards the end of 2020.

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; 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 2020, 67% of our employees participated in different activities, adding up to 10 050 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 7th year in a row, we are a national partner of Relay for Life, an initiative of the Foundation against Cancer. The fundraising and solidarity on which Relay for Life depends, gives thousands of cancer patients hope for a future. Our employees were encouraged to run/bike/walk to raise funds for cancer research.

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.

During the Christmas exchange breakfasts, AXA's employees receive a breakfast in return for a cash or in-kind donation to associations. Due to COVID-19 we turned it into a virtual breakfast. For each employee participating, a breakfast was offered to a caregiver of the Intensive Care Units in 3 Belgian hospitals. In 2020 more than 2 000 employees participated.

Whilst battling the Covid-19 virus, Belgian hospitals called for volunteers to support their nursing staff and their general operations. AXA Bank Belgium gave its employees the opportunity to help one week as a volunteer at a hospital (UZA) in November and December. The AXA employees covered full shifts at the hospital and offered administrative and logistic support, e.g. accompanying patients to the right department. Their salaries continued to be paid and they did not need to take any leave. Other colleagues contributed by taking over certain tasks from the volunteers. The initiative immediately met with a great deal of support. In less than 24 hours, more than enough candidates had signed up. In total, 101 colleagues volunteered at the hospital during their working hours.

Due to Covid-19 restrictions, Belgian schools were struggling to organize the end of year exams in their own building whilst respecting the required social distancing measures. This was also the case for the school located opposite of AXA Bank Belgium’s headquarters in Antwerp. With all staff mandatory working from home, AXA Bank offered the school to use its offices for free during the exam period. The story of students taking their exams in such an "extraordinary" location even made national television news, showing AXA’s societal engagement.

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 2020

"The Covid-19 pandemic hit economic activity in Belgium hard, following the negative trend in Europe and despite unprecedented government measures"

€ 42 bn

Mortgage loans granted in Belgium(3)

-7.4%

Belgian GDP Change (1)

0.7%

Belgian Inflation(2)

€ 292 bn

Household deposits in Belgium (2)

The Economic And Financial Context

In 2020, growth[(1)] in the global economic activity decreased sharply to -3,5% in 2020 from 2.8% in 2019. With great uncertainty, growth is projected to rise to 5,5% in 2021 and 4,2% in 2022. This rise in growth and hope is owed to multiple vaccine approvals and launches and additional policy measures announced in December 2020. Global trade volumes are forecast to grow about 8% in 2021 before returning to 6% in 2022. Moreover, central banks in advanced economies project inflation to remain at 1,5% and at 4% among emerging markets. Variations in this recovery may occur between countries depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spill-overs and structural characteristics entering the crisis (e.g.: inflation or unemployment). Strong cooperation between countries is necessary to maintain this crisis under control.

Among advanced economies, fiscal support is provided towards households and firms, and central banks have reinforced this with expanded asset purchase programmes, funding-for-lending facilities, and for some, interest rate cuts. Those support measures and the anticipated availability of vaccines forecast the burden of the crisis to be relatively smaller for advanced economies than others.

Among emerging markets and developing countries, a distinction can be made between China and other economies. China has implemented effective containment measures, a forceful public investment response, and central bank liquidity support, resulting in a strong recovery. Oil exporters and tourism-based economies had a more difficult recovery due to poor travel outlooks. Only India had a higher revised forecast due to a stronger-than-expected recovery in 2020 after lockdowns were eased.

UNITED STATES

In the United States[(1)], additional fiscal policy measures announced at the end of 2020 are expected to provide further support in 2021 and 2022 which indicates a strong starting point. However, 9 million additional unemployed people in 11 months may disrupt future growth. Growth in the United States has declined from 2,2% in 2019 to -3,4% in 2020. This growth is expected to rise to 5,1% in 2021 and back to a more stable growth with 2,2% in 2022.

The Federal Reserve has decided to lower its Fed Funds rate, the interest rate banks charge each other to lend Federal Reserve funds overnight. In October 2019, the rate reached 1,75%. Since then, it decreased twice in March 2020 reaching first 1,25 and later 0,25%.

The S&P 500[(6)] rose in a volatile way throughout the year, reaching a record low in March 2020 at 2.237 points and has increased sharply since at 3.756 points end December.

EUROPE

The Euro area's[(1)] growth fell to -7,2% in 2020 (vs 1,3% in 2019) and is projected to rise again to 5,1% in 2021 and 2,5% in 2022. This projection is uncertain, as new infections (despite new measures) prove difficult to contain and the vaccine rollout could suffer delays and only deliver shorter-lived immunity than expected. Spain and France saw a significant downturn in growth: Spain fell from 2% in 2019 to -11,1% in 2020. Similarly, France fell from 1,5% in 2019 to – 9% in 2020. Italy's growth also dropped from 0,3% in 2019 to -9,2% in 2020. Germany however seems to have been most effective in containing their loss, declining from 0,6% in 2019 to -5,4% in 2020.

In Europe, the Euro Stoxx 50[(7)] started the year at 3.793 points and reached in February its highest price since 2015 (3.865 points). From then on, it spiked downwards until March 2020 to attain its lowest point since 2013 with 2.386 points. It is now back on an upwards trend with 3.572 points end December .

UNITED KINGDOM

In the United Kingdom[(1)], growth plunged downwards to -10% in 2020 (vs 1,4% in 2019). Their growth is expected to return to 4,5% in 2021 and 5% in 2022. The United Kingdom's forecast, similar to the Euro area, comes from an observed softening of activity toward the end of 2020 which is anticipated to continue into early 2021 amid rising infections and renewed lockdowns. Beyond the pandemic, the December agreement on the terms of the United Kingdom's exit from the European Union eliminated a key downside risk.

The Bank of England's base rate decreased in March 2020 to 0,1% to help control the economic shock (0.75% in 2019). It has remained at this level since and is the lowest interest rate ever seen.

JAPAN

Japan's growth[1] decreased by -5,1% in 2020 (vs 0,3% in 2019). However, at the end of 2020, Japan introduced fiscal support which forecasts a more extensive growth in the future with 3,1% in 2021.

RUSSIA

In Russia[1], growth significantly decreased in 2020, reaching -3,6% (vs +1,3% in 2019). However, growth is expected to pick up in 2021, reaching +3% and upwards.

INDIA

Growth[1] in India decreased by 12 points compared to 2019, reaching -8% in 2020. Its forecast for 2021 is however more promising, as India's growth is expected to improve to 11,5% in 2021 and 6,8% in 2022 reflecting carryover from a stronger-than-expected recovery in 2020 after lockdowns were eased.

BELGIUM

In 2020, global growth was hampered by the Covid-19 pandemic. The economic activity in Belgium followed the same trend as the European average, with a sharp negative GDP growth[2] of -7,4% (vs. +1.4% T2019

	2019	2020	2021 Forecast
Belgian GDP *(Change)*	1.4	-7.4	6.5

Inflation[3] dropped to 0.7% in 2020, a sharp downturn on 2019 (1.4%).

The fall in energy prices was widespread in 2020 due to the pandemic and the lack of demand worldwide. Oil prices fell dramatically to € 18 per barrel (Brent) in April before stabilizing around € 36 in Q3 2020[2].

The index of wages and salaries decreased by 2,8% in Q3 2020 compared to Q3 2019. The construction index increased by 1,4%, the trade and repair index declined by 1,2% and the services index declined by 3,1% in Q3 2020 in relation to Q3 2019[5].

The domestic employment growth rate fell to -0.34% in Q3 2020 compared to 1,63% in Q3 2019. This can mainly be explained by the pandemic. When looking at the harmonized unemployment rate, it remained more or less stable over the last quarters with 5,1% in Q3 2020, translating as 498,200 unemployed[2]. The NBB projects that the unemployment rate will increase sharply in 2021 to 7,4% and slowly return to the current situation over a period of 3 years[3].

OLO rates (10 years) decreased to -0.14% in 2020 (vs 0.19% in 2019)[3]. The interbank rate remained below 0% in 2020, fluctuating between -0.16% and -0.55% (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 resulted in a sharp decline in consumption by individuals during the first lockdown. As a result, personal consumption remains much lower than purchasing power, leading to an historical increase in the savings rate, which reached 19,1% for the first half of 2020 (vs 12,7% at the end of 2019)[8].

The influx of new money into savings accounts in 2020 reached its highest level in eight years. Belgian households held deposits of 292 billion euro in 2020 (vs 282 billion euro in 2019)[5].

During the third quarter of 2020, the number of loans granted, excluding external refinancing, decreased by almost 17% compared to the third quarter of 2019. The corresponding amount fell by almost 12%[4].

Last year, the Belgian real estate market proved to be quite resilient. The annual inflation rate for house prices[5] amounted to 3.1% in Q3 2020 compared to 4.5% in Q3 2019. The house price index stood at 119.56 points (2015 = 100) in Q3 2020 compared to 115.96 points in Q3 2019.

(1) Data Source: FMI World Economic Outlook Report
(2) Data Source: Federal Planning Bureau
(3) Data Source: NBB Inflation rate = HICP
(4) Data Source: BVK
(5) Data Source: Statbel
(6) Data Source: Bloomberg
(7) Data Source: Stoxx
(8) Data Source: Le Soir

Results 2020

"In 2020, the net growth in invest is booming."

€ 3.3 bn

Mortgage Loans Production

€ 664 m

Professional Loans Production

€ 543 m

Net Growth Invest

 # 400 k

Digital active users

CUSTOMER JOURNEY CREDITS

Mortgage loans – In 2020, the production of new mortgage loans reached a level of 3.3 billion euros and was achieved without loosening the credit standards. The production was influenced by the Covid-19 context. Despite an unusual market, we managed to achieve a market share of approximately 9% in 2020, which remained stable compared to 2019. The portfolio of outstanding mortgage loans continued to grow to 21 billion euro and is of an excellent quality. Thanks to the launch of a new omnichannel approach, an important milestone was set for offering a future-oriented customer journey experience to our customers. With the 'moratorium' measures, AXA Bank tried to help existing mortgage customers who suffered a loss of income as a result of the lockdowns. 'Moratorium' stands for the mortgage payments (capital and/or interest) that are allowed to be frozen for a period when certain criteria were met.

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 until 2019. This year, however, the Covid19 crisis forced us to focus more on servicing our existing professional customers rather than on expanding the credit portfolio. In the first semester of the year, different initiatives were launched via webinars instead of live seminars, towards the agent network to accompany our professional customers with good advice on the governmental measures, credit-moratoria and credits under state-guarantee.

In the second half of the year, we managed to adapt the original Go 2 Market plan to the new situation: we continued the roll out of the Business Banking Model with specific webinars to further increase agent expertise, which resulted in again 30 labelled Business Banking agents. We transformed the classic Accountant event into a very successful digital event with participation by 700 accountants all over the country.

The growth of the professional credit production in this special year (4% from 642 million euro in 2019 to 665 million euro in 2020) was mainly the result of the sustained commercial efforts during the last years in the B2B segment and the continuous investment in the expertise and the pro-activity of our agent network in the previous years. The Covid impact is however visible in the slightly slower than previous year growth pace of the outstanding portfolio (increase of 6 % from 1,876 million euro to 1,987 million euro instead of 13% in 2019). Although overall the credit risk profile of the professional loan portfolio is good, we have noted an increase in credit risk in 2020 as a consequence of the Covid-19 pandemic evidences by an increase in expected credit losses.

Consumer loans –The consumer loans market was heavily impacted in 2020 by the lockdowns caused by the Covid-19 pandemic. Thanks to a good commercial positioning, an annual production of 334 million was still achieved. Although this is comparable to the production in 2019, our market share increased from 3.4% in 2019 to 4.6% in 2020. The Covid-19 pandemic mainly impacted the product mix less than personal loans.

CUSTOMER JOURNEY INVEST

2020 saw a record growth in the invest activity, despite the turmoil on financial markets related to the Covid-19 pandemic. Thanks to a combination of record net inflows and the solid performance of the clients' portfolio, the total outstanding off-balance portfolio grew by 14% year-on-year from 4.3 to 4.9 billion euros.

The total net new money (NNM) invest collected in 2020 amounted to 543 million euros, an increase of 42% compared to 2019. This is the net result of growth in mutual funds of 498 million euros, a net inflow in EMTN of 38 million euro and a positive net growth in third party products of 7 million euro.

Mutual funds - Most of the NNM came from the sales of mutual funds, with a net growth of 498 million euro, an increase of 10% compared to 2019. An important part of this growth was driven by the very strong commercial results of Delegio Privileged Portfolio, an all-in profiled funds solution targeting the personal banking segment. Since its launch in June 2020, Delegio Privileged Portfolio collected net inflows of 163 million euros. Inflows in other mutual funds of the AXA Bank offer amounted to 335 million euros in 2020. These funds saw a particularly strong activity in the 4th quarter following the extension of the offer with 3 new ESG funds.

EMTN - In 2020, three new EMTN were issued, with a gross production of 106 Mio. Including maturities of existing EMTNs and limited early redemptions, net inflow amounted to 38 Mio, compared to a net outflow that was still at 35 Mio in 2019.

Third party products – Volatility on the financial markets because of the Covid-19 pandemic boosted the brokerage activity in individual lines of stock, despite the fact that this offer is no longer being actively promoted. In 2020, a record volume of 209 million euros (+117% vs 2019) in stocks were traded, resulting for the first time in many years in a positive net inflow (+12 MM). In combination with strong inflows in pension savings products (+16.2 MM) and limited outflow in external funds and euro bonds (-22 MM), third party products saw a better than expected net growth of 7 million euros.

CUSTOMER JOURNEY DAILY BANKING & DEPOSITS

Daily Banking - Most indicators show a continuous growth.

The number of current accounts increased by 5,044. For private accounts, the portfolio-growth was mainly notched up within the (fee-generating) comfort2bank accounts (+5,186), thanks to the launch of a new value-proposition. The portfolio of (free) start2bank accounts decreased by -142.

Despite the major impact of lockdowns on card-transactions-income, the fee income showed a growth of 2.2 million, reaching a total of 32.4 million euro in 2020 compared to 30.2 million euro in 2019.

The assets under management of current accounts continued to increase with 513 million euro net new money resulting in a closing balance of 3,375 million euro versus 2,861 million euro end of 2019.

The number of connected customers was up by 13,505 (243.004 in 2019 versus 256.509 in 2020). 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 2020 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 increased by 653 cards, of which 472 High-end VisaPremiumPlus cards.

Deposits – Assets under management have increased by 210 million euros in 2020. This increase was composed of a rise in savings accounts (380 million euro), but a decrease in certificates of deposits (-11 million euro) and in term deposits (-159 million euro). The drop in term deposits can be explained by the fact that maturities were not reinvested in new term deposits due to low interest rates.

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 price correctly the balance sheet risks, on the one hand, through Fund Transfer Pricing and to manage AXA Bank Belgium's exposure to risks related to interest rates, liquidity and exchange rates, on the other hand. 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 2020, a special focus was put on the management of the Covid19 crisis and on the optimization of the liquidity and the funding of the bank. We continued to monitor the swaption portfolio closely and rebalanced the risks to decrease the P&L volatility.

Managed within strict limits, the investment portfolio is made up exclusively of high-quality European sovereign debts, guaranteed supranational bonds and secured bonds. In order to improve AXA Bank Belgium's leverage ratio and to reduce risks, the size of the portfolio was reduced by 0.949 billion euros (book value) in 2020 with limited new investments. The investment portfolio is now standing at 0.748 billion euros (book value) at the end of 2020.

TREASURY AND INTERMEDIATION

European Medium Term Notes are internally structured and hedged in the market by AXA Bank Belgium's derivatives specialists.

As part of the contemplated sale of AXA Bank to Crelan by AXA Sa the derivatives intermediation activity was completely stopped towards the end of 2020. As a result, the off-balance sheet inventory of AXA Bank Belgium’s intermediation business decreased in 2020 by 63.1 billion euro.

Comments on the 2020 consolidated IFRS results

PROFITS AND LOSSES

In million EUR	2019	2020
Financial & operating income and expenses	306	323
Administrative costs and amortisations	233	227
Modification gains or losses	0	1
Provisions	3	8
Total profit *(From continuing operations before taxes and minority interests)*	70	87
Net Profit	50	66

Financial & operating income and expenses – Financial & Operating income and expenses overall increased by 17 million euro compared to 2019. Despite a difficult interest rate environment and the carve out of the intermediation activity leading to a lower interest margin, AXA Bank Belgium managed to stabilize its net banking product thanks to increased revenues from fee business (+12.5 million euro).

Administrative costs and amortisations - Administrative costs (-8.9 million euro) were further reduced and amortisations (2.4 million euro) increased given the continuation of the transformation plan investments. The decrease in administrative costs is a consequence of continuing structural and Covid related cost reduction measures allowing for a pursuit of focused investments in our core business.

Provisions - The increase in provisions is driven by an increase in expected credit losses as a result of a downward revision of its macro-economic outlook due to the Covid-19 crisis. Given the unprecedented impact of the Covid-19 crisis on the Belgian economy, it is considered that the internal IFRS9 models are not fully capturing the systemic impact of the Covid-19 crisis. Therefore a management overlay was introduced in the expected credit losses to ensure an adequate level of impairments in line with an increasing level of expected future defaults in the credit portfolio. Also after a detailed analysis, a group of clients was classified as Unlikely to Pay (UTP) – hence non-performing and stage 3 - although that they did not show yet payment issues. The increase in expected credit losses is the most pronounced for the portfolio of professional loans, where also a sectoral provision is installed for these sectors that are the most impacted as a result of the governmental actions to manage the sanity crisis. These increased expected credit losses are partially off-set by take back on operational and legal provisions for amongst others QFIE.

Total profit from continuing operations before taxes and minority interests – Total profit or loss from continuing operations before taxes and minority interests stands at 87 million euro, which is up 17 million euro compared to 2019.

Net profit – Net profit stands at 66 million euro, which is up 16 million euro compared to 2019, knowing that 2019 was also negatively impacted by the capital loss linked to the sale of Italian government bonds (-10.3 million euro post tax)

BALANCE SHEET

In Million EUR	2019	2020
Cash balances	1.049	3.738
Financial Assets	26.635	25.394
Held for trading	*744*	*64*
At Fair value through OCI	*1.714*	*733*
At amortised cost	*24.177*	*24.597*
Investments in subsidiaries, joint ventures and associates	12	9
Derivatives – Hedge accounting	8	0
Fair value changes	877	1.101
Other assets	209	216
Total Assets	28.790	30.458

Assets – 2020 is marked as another year of growth on the credit portfolio (+0.4 billion euro) explaining most of the balance sheet growth. Cash balances also increased in line with the bank's strong liquidity.

In Million EUR	2019	2020
Financial Liabilities	27.255	28.872
Held for trading	*445*	*73*
At Fair value through P&L	*1.130*	*882*
At amortised cost	*25.680*	*27.917*
Derivatives – Hedge accounting	58	47
Provisions	240	234
Other liabilities	71	83
Equity	1.166	1.222
Total Liabilities & Equity	28.790	30.458

Liabilities - In 2020, AXA Bank clients continued to trust AXA Bank with their deposits (+540 million euro), while at the same time AXA bank made optimal use of the liquidity mechanisms put in place by the ECB and raised wholesale funding in the market. These transactions ensure the bank is well positioned from a liquidity point of view and generate a funding increase of 2.2 billion euro.

Equity – Equity increased by 56 million euro

OFF BALANCE SHEET

In Billion EUR	2019	2020
Intermediation derivatives	63.13	0.04
ALM portfolio hedges	9.06	7.34
Commercial hedges	18.10	23.32
Treasury derivatives	2.28	2.25
Total	**92.57**	**32.96**

The off-balance sheet portfolio decreased by 59.61 billion euro to 32.96 billion euro (2020 compared to 2019), solely related to the intermediation off-balance sheet, which dropped by 63.09 billion euro. This was driven by the sale of AXA Life Europe (-42 billion euro) done by AXA Group and the intermediation activity being stopped.

CONSOLIDATION SCOPE

On 31 December 2020, the scope of consolidation for AXA Bank Belgium consisted of the following companies: AXA Bank Belgium SA, Royal Street SA, AXA Belgium Finance BV, CASPR and AXA Bank Europe SCF.

CASPR

CASPR, is a special purpose vehicle (SPV) incorporated as a société à responsabilité limitée (private limited liability company) under the laws of Luxembourg on 14 August 2020. The Company is subject to the Securitisation Act 2004 as an unregulated securitisation undertaking. The Company has issued 12,000 shares, all of which are fully paid and are held by a Dutch Foundation CASPR, which has no beneficial interest in and derives no benefit from its holding of the issued shares. CASPR has issued on 15 December 2020 a first synthetic RMBS transaction with underlying mortgage loans originated by AXA Bank Belgium. With CASPR, AXA Bank has added an extra possibility to its capital toolbox, that further facilitates and supports the bank in its lending activities.

Comments on the statutory accounts and the allocation of earnings

Statutory profits for 2020 amount to 37.6 million euro. Accumulated profits amounted to 102.7 million euro by the end of 2019. Consequently, accumulated profits, as at 31 December 2020, amount to 137.7 million euro.

This result is exceptionally impacted by the provisions for expected credit loss, where an alignment has been made with IFRS 9 regarding stage 2 loans. The resulting extra provisions amount to 17,2 million euro and are booked within the internal security fund ("intern zekerheidsfonds").

The main difference between result of the statutory accounts (37,62 million euro) and the consolidated accounts (65,63 million euro), relate to:

- → The **scope of the legal entity** (AXA Bank solo versus AXA Bank consolidated) explaining a difference of €18,07m (result SCF of €17,73m)
- → The **framework differences** (local GAAP versus IFRS), explaining a difference of €9,95m. The latter is driven by the difference regarding the impairment methodology related to the incorporation of IFRS 9 stage 2 loans as within BEGAAP and FRGAAP (see above), the interest on the contingent convertible obligation booked in OCI, partly compensated by deferred taxes.

The Board of Directors proposes, after allocation to the legal reserves, to carry forward the 2020 result to the next financial year.

Significant events after 2020

Sale of AXA Bank Belgium

On October 25, 2019, AXA S.A. announced that it has entered into an agreement to sell its Belgian banking operations, AXA Bank Belgium, to Crelan Bank (“Crelan”). Under the terms of the agreement, AXA will sell 100% of AXA Bank Belgium to Crelan. In addition, AXA and Crelan have agreed to enter into a long-term P&C and Protection insurance distribution partnership, extending the existing partnership between AXA Bank Belgium and AXA Belgium to the entire Crelan network.

However, the completion of the transaction is subject to customary closing conditions, including the receipt of regulatory approvals. Due to additional questions and requirements from the national and European supervisors towards Crelan, together with the difficult circumstances as a consequence the COVID-19 pandemic, the finalization of the transaction is delayed.

The Board of Directors continues to closely monitor these events and their evolution, among other things, to the possible impact on the different types of risks to which the bank is exposed.

Brexit (UK exit from the European Union)

Before the Brexit agreement between the European Union and the United Kingdom was concluded in December 2020, AXA Bank Belgium revised its ISDA / CSA agreements with all its counterparties in bilateral derivatives transactions. For its main counterparties, we have transferred to mainland entities.

TLTRO

As already stated in the annual report under point 29.3, we also like to mention the fact that the European Central Bank decided on January 29, 2021 to offer 3 additional tranches within the current TLTRO series that can be subscribed in 2021 with maturity dates in 2024 and whereby the additional temporary reduction will also be extended by 1 year up to and including 23 June 2022. AXA Bank Belgium will monitor this further and will take appropriate initiatives in that context.

Solvency and Liquidity

Solvency

Despite the Covid-19 outbreak in 2020, ABB was able to maintain its role in contributing to the smooth financing of the Belgian economy while, in parallel, further strengthening its capital base. This achievement was supported by the strategic journey that ABB has conducted over the past years. More precisely, the bank is now fully dedicated to serving its retail clients in Belgium. Its current positioning, in particular in the Belgian mortgage market, combined with an acceleration in fee business in invest activity, is providing additional resilience. As a result, the CET1 ratio lands at 18.4% in Dec-20 (16.4% in Dec-19) and total capital ratio at 19.9% (17.9% in Dec-19).

The 2% increase in CET1 ratio is mainly attributable to the following three elements and partially compensated by an increase in RWA explained by increasing retail loan volumes (€+1.4bn):

- Net income 2020 of € 65.6m (FINREP consolidated figures) fully included in the capital since the Board of Directors decided not to pay a dividend out of the net income 2020,
- Carve-out of the intermediation activity that represented 63 billion euro notional amount in Dec-19, and c. 350 million RWAs
- A synthetic securitisation, transferring part of the default risk on mortgage loans to third parties as part of a Significant Risk Transfer transaction that reduced RWAs by 283 million at the end of 2020.

The leverage ratio slightly decreases to 3.9% (4% in Dec-19) linked to increasing retail loan volumes and growing liquid assets.

Liquidity / funding

In 2020, ABB managed its liquidity buffer at relatively high levels, with a liquidity coverage ratio reaching 197% on 31/12/20 (198% in Dec-19).

Retail funding increased by more than € 600m over the year, notably explained by the lockdown measures taken by the Belgian authorities that led to deferred consumption and increased savings.

ABB issued 1.75bn long-term covered bonds,

- of which € 500m in Jan-20, first issuance after the announcement of the transaction with Crelan with largest oversubscription ever,
- of which € 500m traded on 19/03/20 (first issuance in the Covid-19 crisis context),
- of which € 500m issued in June with a 20Y maturity (longest maturity ever).

ABB participated in funding programmes launched by the ECB, notably in the context of the Covid-19 pandemic. Thereby, the level of ECB funding increased to c. € 2.6bn in Dec-20, of which € 1.2bn 3Y TLTRO.

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.), affects 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. In 2020, the COVID-19 pandemic severely affected macro-economic conditions and caused significant turmoil in the financial markets. This was particularly challenging for banks, as a long-term pandemic will put the business model of the bank under severe stress. As the stress situation can unfold quickly, it is important to be able to respond in a timely and appropriate manner. Both short term and long term, the COVID-19 pandemic is likely to have a major impact on ABB. ABB took a number of risk reducing actions in the course of 2020. Regarding retail credit risk, ABB transferred part of the credit risk on its mortgage portfolio via the set-up of a synthetic securitisation transaction, effectively reducing retail credit risk weighted assets. With respect to (non-interest rate) market risk and non-retail credit risk, ABB successfully executed its risk reduction strategy by carving out the intermediation activity. This leads to a subdued impact of stressed market parameters on ABB's profitability and capital position.

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 digitalization of banking also imply dedicated attention to **information security, cyber-risk and e-fraud.** In addition, banks are also facing the **ESG (Environmental, Social and Governance) risk**, due a.o. to 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) or (b) the prudential measure of the NBB to increase the capital requirements 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) and potential new regulation with respect to central bank digital currencies.

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.

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.

Covid-19 & Moratorium 2.0

Since March 2020 AXA Bank Belgium is, like all economic actors, impacted by the Covid-19 pandemic in its day to day operational way of working. As part of its crisis management, the bank therefore immediately took the necessary measures from an organisational, processes, governance and health and safety point of view to ensure full business continuity and, first and foremost, making the health and safety of its employees and customers its first priority. AXA Bank

Belgium periodically tested that business continuity procedures were implemented: the level of digitalization and our flexible way of working contributed to an effective implementation and will certainly continue to play an important role going forward.

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. Management has taken this uncertainty into account in determining the level of management overlays for its expected credit loss provisioning. Within AXA Bank Belgium, the situation is closely monitored within the bank's various permanent Boards and Committees, 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 with 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.

2020 was hit hard by the COVID-19 pandemic. The imposed measures by the Government in this context have been carefully adhered to and respected by the Company.

Since 13 March 2020, the Company has facilitated teleworking for five days per week for all staff. This measure has been maintained for almost the entire year until the date of writing and composing of this report, in view of the installed pandemic measures by the Government. The flexibility and practice of teleworking has already been in place since several years at the Company and so constitutes a considerable asset in relation to the COVID predicament. On top of this, the Company did not invoke the scheme of temporary unemployment. No interruptions of activity were recorded, and the Company managed to carry out operations and serve clients without discontinuity.

The Covid-19 pandemic had an impact on the accounts as per 31 December 2020 as the Bank took into account the situation at year-end 2020 and its expectations for the future, which led to an increase in expected credit losses as described in section 'Comments on the 2020 consolidated IFRS results – Provisions'.

We will continue to scrutinize the developments of the pandemic on the activities of the Company and remain vigilant for any risks which might emerge in the course of 2021.

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	✓				

Auditors: PwC Bedrijfsrevisoren BV / PwC Réviseurs d'Entreprises SRL, 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 2020 AND SINCE THE 1ST OF JANUARY 2021

BOARD OF DIRECTORS:

- NO

MANAGEMENT BOARD:

- NO

AUDIT COMMITTEE:

- NO

RISK COMMITTEE:

- NO

NOMINATION COMMITTEE:

- NO

REMUNERATION COMMITTEE:

- NO

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
- 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's degree in Business Administration from Chicago University and a Master's degree 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 the 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 earned 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 - On the 1st of December 2018, Peter Philippaerts was appointed 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, 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 - On 1 February 2018, Frank Goossens was appointed Chief Credit Officer. Frank obtained a Master's degree in law from the Katholieke Universiteit Leuven (KUL) (Catholic University Leuven) and also holds 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 - was 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 has been responsible for Business Transformation Planning and IT Service Development for AXA Bank Belgium.

PIETER DESMEDT - was appointed Chief Risk Officer as of 28 February 2019 after working for three years for AXA Bank as Retail Credit Risk Manager. Pieter graduated from KULeuven in Mathematics where he also completed his PhD. He gained many years of experience at KBC where he also started his career in the financial sector as Process Advisor for Life insurance. 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 competences in the fields of banking, accounting and audit and at least one member has competences 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, competencies 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 since 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 was appointed an independent director of AXA Bank Belgium on 1 January 2016. He has a Law degree and a Master's degree in management from the Vlerick School. He started his career in 1985 at Citibank, where he specialised in Corporate Banking. He moved to Banque Degroof in 1992 where, in 2000, he became director and member of the executive committee. In 2002, he 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 specialised banks section of Febelfin.

Michael Jonker was appointed an independent director of AXA Bank Belgium on 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 was appointed as an independent director of AXA Bank Belgium on 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 2 times in 2020.

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 holds 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 Master's degree in economics from the University of Paris. He joined AXA in 2009 as the Group's Director of European and Institutional Affairs, 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 employees' 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 organisational 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 realised 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 realised 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,
- formalised in the 'YES Performance' 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 individualisation – 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 realised 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 2020: 10.75%), liquidity (lower limit 2020: 100%) & leverage (lower limit 2020: 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 and above 200.000

The BNB's current administrative circulars authorise an exception to this rule for members of the Identified Staff whose variable remuneration is lower than 75,000 euro.

Variable pay above 200.000 euro will be deferred for 60%

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 (e.g. merger), that is not based on performances, but on a condition of presence (e.g. 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 2020

Total Remuneration of Identified Staff in 2020 (Excluding non-executive board members compensation)

The quantitative information set out below concerns the remuneration awarded for the year 2020 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 Remuneration	Amount of Variable Remuneration Awarded
CEO & Deputy CEO	**6**	**2 511 061 €**	**1 868 377 €**	**642 684 €**
Affluent & Distribution	**2**	**637 264 €**	**431 682 €**	**205 583 €**
Credits & Customer Care	**4**	**1 049 697 €**	**702 964 €**	**346 733 €**
Risk & Compliance	**6**	**945 732 €**	**826 912 €**	**118 820 €**
Retail & Transformation	**2**	**647 193 €**	**447 767 €**	**199 426 €**
Total	**20**	**5 790 946 €**	**4 277 702 €**	**1 513 245 €**

*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)	**2 404 516 €**	**874 989 €**	**- €**	**- €**	**- €**	**- €**
	# people concerned	**6**	**6**	**0**	**0**	**0**	***0***
Higher management	Amount (euro)	**1 056 793 €**	**475 941 €**	**- €**	**- €**	**- €**	**- €**
	# people concerned	**7**	**7**	**0**	**0**	**0**	***0***
Other Identified Staff	Amount (euro)	**816 393 €**	**162 315 €**	**- €**	**35 400 €**	**- €**	**- €**

	# people concerned	**7**	**5**	**0**	**1**	**0**	***0***
Total	Amount (euro)	**4 277 702 €**	**1 513 245 €**	**- €**	**35 400 €**	**- €**	**- €**
	# people concerned	**20**	**18**	**0**	**1**	**0**	**0**

	Forms of variable remuneration (awarded)				Outstanding deferred remuneration		Deferred remuneration		
	Cash	Shares	Share linked instrum	Other types(*)	Vested	Unvested	Awarded	Paid out	Reduced
Executive Board Members	**457 495 €**	**N/A**	**N/A**	**417 495 €**	**415 580 €**	**538 206 €**	**388 446 €**	**169 031 €**	**- €**
Higher management	**475 941 €**	**N/A**	**N/A**	**- €**	**100 521 €**	**93 829 €**	**- €**	**20 595 €**	**- €**
Other identified staff	**162 315 €**	**N/A**	**N/A**	**N/A**	**54 281 €**	**82 618 €**	**- €**	**- €**	**- €**
Total	**1 095 750 €**	**- €**	**- €**	**417 495 €**	**570 382 €**	**714 653 €**	**388 446 €**	**189 626 €**	**- €**

*Conditional Cash

Number of MRT employees whose total remuneration for 2020 exceeded 1 million euros

Total compensation	Number of MRTs for the year 2020
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 1050 Brussels Belgium	Investment company	No	Non-executive director, Chairman of the Board	No
		Orcadia Asset Management SA	13, rue de l'Industrie, L - 8699 Windhof GD Luxembourg	Investment company	No	Non-executive director	No
		Stoll Security SA	Z.A.R.E. Ilot Ouest L 4384 Ehlerange Luxembourg	Security	No	Non-executive director, Chairman of the Board	No
Philippe Rucheton	Independent director and Chairman of the Risk Committee	Bernard Controls SA	4, rue d'Arsonval BP 76091 95505 Gonesse France	Electrical and mechanical	No	Non-executive director	No
		Société générale SFH	17 cours Valmy 92800 Puteaux France	Housing financing company	No	Non-executive director	No
		Société générale SCF	17 cours Valmy 92800 Puteaux France	Mortgage company	No	Non-executive director	No

Annex

4 - SUSTAINABILITY

Protection of Human Rights and the Environment

Alert procedure

Involvement of AXA stakeholder

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

4.7 Report by Independent Third Party on the consolidated non-financial statement

4.1 AXA sustainability strategy

This chapter describes AXA Group's Sustainability 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 ("sustainability risks") related to environmental, employer responsibility, society, human rights, tax evasion and corruption matters.

In-depth information on the AXA Group's Sustainability-related policies and practices is also available in the "Integrated Report", "Climate Report", in the online "Group Human Capital Report" (3) and on the AXA Group's website (www.axa.com), in particular in the Sustainability Section.

AXA'S PURPOSE ENTAILS SUSTAINABLE VALUE CREATION

In 2020 AXA formulated its purpose encompassing its role in the economy and commitments as a responsible company serving society. AXA used a collaborative process throughout the Group. Members of the Partners Group and AXA Group's Stakeholders Advisory Panel expressed their opinions. Consultations have taken place with employees through a dedicated Pulse survey (Pulse surveys are short and focused surveys measuring a few indicators in order to quickly identify areas of improvement). Responses were analyzed to throw light on the key features of AXA's identity. This work was then followed by contributions from the 1,000 Group leaders during AXA Days, which led to the formulation of a purpose that was submitted to the Board of Directors of the Group. Following the purpose's announcement at the Shareholders' General Assembly in June 2020 the AXA Conversation platform has eventually enabled AXA employees to discuss and adopt this purpose.

Our purpose "Act for human progress by protecting what matters" entails sustainable value creation with the aim to protect the environment and society in an inclusive manner. The essence of our insurance profession makes us a critical link in mutual support and social ties by pooling risks. Our understanding of risks enables all our stakeholders to anticipate the future and become more resilient. We enable individuals and communities to move forward by protecting their basic needs: environmental protection, access to healthcare, prosperity and quality of life. Our decisions and commitments are based on objective scientific data looking at things in an inclusive manner.

For more information on AXA's business model, please refer to Section 1.3 "Business overview" of this Annual Report.

AXA'S SUSTAINABILITY STRATEGY

Our Sustainability strategy is a key driver of employee engagement, customer trust and brand image. Sustainability 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 driving innovation by taking better account of social and environmental issues.

In 2019, our Sustainability strategy has been focused around 3 priorities: climate change and environment, health & prevention, social inequalities and inclusion. In 2020 the implementation of this strategy went on. AXA uses the various levers of actions

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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.

(3) No information, documents or items contained in AXA's 2020 Integrated Report or the 2020 Group Human Capital Report or AXA's Climate Report, or available on the Company's website in connection therewith, is incorporated by reference in this Annual Report.

related to its expertise and activities: investment, insurance or its partnerships and its philanthropic activities, as well as its international footprint.

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.

2020 has been impacted by Covid19 unprecedented pandemic crisis: remote work for almost all our employees, AXA's commitment to protect jobs, investing in scientific research, mobilization of staff to support medical frontline helpers, development of telemedicine services contributing to alleviate emergency medical services. AXA got also involved in supporting the economy and green recovery. This mobilization which reasserts AXA's role in society, beyond its commercial activities are detailed throughout this section. At the December 2020 IR Day AXA announced the main priorities of its new strategic plan, which integrated climate and inclusion challenges at the heart of its strategic plan "Driving Progress 2023".

AXA's contribution to the Sustainable Development Goals of the United Nations

In 2018, the Group developed a strategic thinking framework to identify its commitments to the UN Sustainable Development Goals (17 SDGs – see sustainabledevelopment.un.org) building on its risk analysis expertise. Main commitments have been identified based on AXA's capacity to have a real impact through its activities and operations. In 2019, the Group aligned its Sustainability strategic objectives with the 8 main SDGs on which the Group's initiatives have a significant impact. This alignment has been approved in 2019 by the Stakeholder Advisory Committee. AXA's purpose captures our commitments towards reaching the SDGs (see paragraph "AXA's purpose entails sustainable value creation" above).

AXA's sustainability strategy contributes significantly to the 8 following SDGs:

Climate and biodiversity	SDG n°13 – Climate Action	AXA is engaged to integrate climate risks into its insurance and investment activities, and being an active steward. Section 4.3 "Climate change and biodiversity" covers how AXA is incorporating climate change measures into its national policies, strategies and planning (target 13.2). By the nature of its insurance activities AXA contributes to strengthen resilience and adaptive capacities in the face of climate hazards and climate-related natural disasters (SDG 13.1). As a risks expert AXA is active to improve education, awareness and individual and institutional capacities with

		regardto climate change adaptation, mitigation and early warning systems (SDG 13.3).
	SDG n°14 – Life below water	Since 2019, AXA has initiated actions to better take biodiversity into account. 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 is presented in section 4.3, paragraph “Biodiversity”.
	SDG n°15 – Life on land	Partnership with WWF and Climate and Biodiversity Impact Fund (described in Section 4.3 “Climate change and biodiversity”) initiate AXA’s contribution to “mobilize financial resources from all sources and significantly increase them to preserve biodiversity and ecosystems” (SGD 15.a). Biodiversity action plan has been reinforced in 2020 strengthening AXA’s contribution to SDG 15.
	SDG n°7 – Affordable and clean energy	AXA “green” investment target of €24 billion by 2023 as described in Section 4.3 “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 4.3 “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. The Unicef partnership (described in Section 4.4 “Inclusive Insurance”) aimed at struggling against the dual global epidemic of obesity and diabetes (SDG 3.4). AXA also contributes to the prevention of road accidents (SDG 3.6)
Social inequalities	SDG n°1 – No poverty	AXA Hearts in Action volunteers provide assistance to people living in extreme poverty and help eradicate the

and inclusion		phenomenon, (SDG 1.1 and 1.2). These actions are described in Section 4.4 “Inclusive Insurance”.
	SDG n°5 – Gender equality	For many years now, AXA has been pursuing a proactive diversity and inclusion policy (described in Section 4.2 “Employer Responsibility”): 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” described in Section 4.4 “Inclusive Insurance” constitutes the “business” component of the program, providing women with adapted financial protection solutions.
	SDG n°10 – Reduced Inequalities	Program towards women and AXA Emerging Customers (described in Section 4.4 “Inclusive Insurer”) are contributing to SDG target 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.

SUSTAINABILITY GOVERNANCE & STAKEHOLDER DIALOGUE

AXA has established a solid governance framework to develop and implement its sustainability strategy. Each year, the Compensation and Governance Committee of the Board of Directors reviews this sustainability strategy. It’s also presented several times a year to the Group Executive Committee for status and decision making. At the local entity level, a network of Corporate Responsibility Directors is in charge of implementing the sustainability strategy and promoting best practices.

AXA also relies on its Stakeholder Advisory Committee that was put in place in 2014 in order to better anticipate the future important matters to build stronger, safer and more sustainable societies. 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. The Stakeholder Advisory Committee has been instrumental to include AXA’s role in society in the new strategic plan 2021-2023 and to phrase AXA’s purpose in 2020. It has gathered a last time in April 2020 to discuss COVID-19 pandemic challenges, green recovery and anticipating the crisis’ impacts on social inequalities and health systems.

With the start of « Driving Progress 2023” strategic cycle, this governance is evolving in line with AXA’s ambition. The “Role In Society Steering Committee” (RISSC), which is co-chaired by the Group Chief Risk and Investment Officer, and the Group Head of Communication, Brand and CR, has been put in place in June 2020. This committee is in charge of implementing this new strategy, in connection with the Board of Directors and the Management Committee.

It should also be noted that AXA’s sustainable 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). In addition, AXA is participating to coalitions that gather NGOs and public authorities, around climate and inclusion themes (see part 4.3 “Climate change and biodiversity” and 4.4 “Inclusive insurer”). Through these exchanges AXA can integrate major and emerging challenges into its strategy.

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

Sustainability risks assessment methodology

The approach implemented is based on collaborative work between Risk Management and Corporate Responsibility teams. First, risk factors for each area related to sustainability (Employer responsibility, respect for human rights, environment, society impact and business behavior) are identified, based on sustainability risks studied in prior years and the 2020 Future Risks survey (see section 5.8 Emerging risks and axa.com/en/magazine/2020-future-risks-report). Interests expressed by our stakeholders are also included.

These risks are assessed by an experts' panel (gathering Corporate Responsibility, Risk Management, Operational risks, Emerging risks, Human Resources, Compliance, Procurement, Investor Relations, Finance, Tax and Communication). The assessment is conducted, using the Group Operational risks' guidelines to rate potential frequency and severity. Impact of each risk on stakeholders' interests and expectations has been taken into account..

In 2020, the impact of COVID-19 pandemic on the materiality of our main sustainability risks has been estimated. This specific assessment has not significantly changed AXA's sustainability risk profile.

These results have been cross-referenced with the AXA Group Operational Risk Profile (for more informationrefer to Section 5.7 Operational risk) and emerging risks assessment, which outlines major prospective emerging risks for society at large (refer to Section 5.8 Emerging risks). Sustainability risks have also been compared to the Dow Jones Sustainability Index' framework.

The sustainability risk mapping has been approved by Group Operational Risks Committee.

From this year's update, the following emerged:

- Biodiversity is a new sustainable risk included in AXA's Statement on Non-Financial Performance (see part 4.3 "biodiversity" paragraph). It was previously considered as an emerging risk;
- Two Employer responsibility risks have been enriched: "Employer of choice and future of work" and "Inclusion and Diversity breeding talent and innovation" (refer to part 4.2 "Employer Responsibility").

2020 main sustainability risks

Based on this methodology, and in application of article L.225-105-102-1 of the French Commercial Code related to extra-financial reporting, the following relevant risks, mitigation policies, and key performance indicators are presented in the table below:

Sustainability Theme	Sustainability risk	Reference to policy and initiatives	Indicator	2020	2019	2018	Objective	
							Target	Timeline
Employer Responsibility	Employer of choice and future of work	Section 4.2. Employer Responsibility	Employee Net Promoter Score	35	21	7	25	Annually
			Salaried employees with teleworking arrangements	52%	32%	N/A	70%	2023
	Employee development		Salaried employees having been trained at least once during the year	100%	100%	97.8%	100%	annually
	Inclusion and diversity breeding talent and innovation		AXA's gender parity amongst Top Senior Executives (women representation)	34%	32%	32%	50%	2023
Climate change & Biodiversity	Climate Change	Section 4.3 Climate change and Biodiversity/ Investment, Insurance and Own operations	AXA's investments Warming Potential in degree celsius (corporate and sovereign) (1)	2.8°C	2.9°C	N/A	1.5°C	2050
			Green investments in € billion	16.1	11.7	11.3	24	2023
	Own operations environmental footprint		CO2 emissions resulting onsite power consumption, car fleet and business travel (teqCO2) (3)	84,647	191,238	172,887	-25%	2019-2025
	Biodiversity (2)	Section 4.3. Climate change Biodiversity/ Biodiversity	Number of children (in million) educated with AXA XL Ocean preservation program since the start of the program	8.5	7.2	6.5	10	2021
Inclusive Insurance	Inclusive insurer	Section 4.4. Inclusive Insurer/ Business-related societal initiatives	AXA Emerging Customers' Number of customers (in million)	22	19	9.3	N/A	N/A
			Number of products designed for Women specific needs	25	26	18	N/A	N/A
			Number of entities that included "Women in insurance" strategic priority	17	17	12	N/A	N/A
	Partnership & Philanthropy	Section 4.4. Inclusive Insurer/ Corporate philanthropy and engagement	Engagement rate of AXA employees in volunteering	22%	35%	29%	N/A	N/A
Business Behavior	Anti-bribery & fight against corruption	Section 4.5 Business Behavior/ Business ethics, paragraph "Anti-bribery & fight against corruption"	% of entities having certified AXA Standards on Anti-bribery & fight against corruption	100%	100%	N/A	100%	Annually
	Business conduct	Section 4.5 Business	% of entities having certified AXA Standards on Product Approval Process	100%	100%	N/A	100%	Annually

		Behavior/ Business conduct						
	Responsible data use, data privacy, and data security	Section 4.5 Business Behavior/ Responsible data use and data privacy	% of revenues covered by Binding Corporate Rules	99%	79%(4)	96%	99%	Annually
			Scoring ISO 27001 (5)	3.17	3.03	N/A	3.00	Annually
	Responsible procurement	Section 4.5 Business Behavior/ Responsible procurement	% of entities with Corporate Responsibility clause integrated within supply contracts	96%	N/A	N/A	N/A	N/A
			Suppliers having a good Corporate Responsibility external rating (6)	67%	N/A	N/A	N/A	N/A
	Tax policy	Section 4.5 Business Behavior and 6.3 General information, AXA Group Tax policy	Coverage of Group tax footprint in Tax Transparency report (7)	90%	89%	N/A	90%	2021
			% of entities having certified compliance with Axa Group tax policy & tax code of ethics (7)	100%	100%	N/A	100%	Annually
Governance	Stakeholders engagement practices	Section 4.1 AXA's Sustainability Strategy	Number of external stakeholders exchanges (8)	2	2	2	2	Annually

N/A stands for Not Applicable (information not existing at the reporting period)

(1): Indicator measured in Climate report (based on last year data)

(2): Biodiversity metric is currently under development, for more information refer to section 4.3 Biodiversity paragraph

(3): Indicator compliant with SBTI principles

(4): Indicator level is explained by the integration of AXA XL, entity was not integrated in Binding Corporate Rules rules scope

(5): Scoring for the entities part of the "Quartile 1 program" - a program that aims at getting the 17 most significant or transversal AXA entities into the top 25% of the most secure company in our industry-

(6): external rating by ECOVADIS. "Good rating" means "bronze" level or higher

(7): Reporting in year N is relating to year N-1

(8): Stakeholders engagement practice is described in Section 4.1 "Governance and Stakeholders engagement practice"

ESG 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 Section 1 "The AXA Group" of this Annual Report.

THIRD PARTY VERIFICATION

PricewaterhouseCoopers Audit, one of AXA SA's Statutory Auditors, appointed as an independent third-party, presents in its report, featured in Section 4.7, a reasoned opinion on the compliance of the extra-financial performance statement with the provisions of French regulations (Article R.225-105 of the French Commercial Code) and on the sincerity of the information provided.

REPORTING METHODOLOGY

An assessment of the employer responsiblity, 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.

Scope of social, environmental and societal reporting

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

Scope of social indicators

The social data provided in Section 4.2 "Employer responsibility" are collected from 249 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, 2020, in other words, subsidiaries in which AXA holds, directly or indirectly, management control).

Scope of environmental indicators

scope. Environmental reporting's scope is based on the same scope as Social reporting except that AXA sites with fewer than 50 FTEs are not included in the data collection process. These sites are part of an extrapolation process. In 2020, environmental indicators were collected for 98,691 FTEs working on AXA sites (unless otherwise indicated) and were then extrapolated, continent by continent, to cover all 117, 623 FTEs (all types of contracts) working at AXA Group in average in 2020.

AXA Tianping is gradually integrated into AXA's Corporate Responsibility policies and processes. Its 2020 environmental reporting does not cover the full framework but the environmental footprint of its whole workforce has been taken into account thanks to the extrapolation calculation that is carried out..

Scope of societal indicators

Our Community Investment Survey, as described in Section 4.4 "Inclusive Insurer", covers 98% of AXA's FTEs.

Period

The indicators cover the period from January 1 to December 31, 2020, unless mentioned otherwise. To facilitate 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 reporting

Social data reporting

The social data provided in Section 4.2 "Employer responsibility" 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 data provided. Regarding data published in ratios and percentages, numerator and denominator are realigned for each calculation to exclude entities with empty data points.

Environmental data reporting

Environmental data is collected since 2002, through a dedicated reporting tool filled out by the network of 300 environmental managers from AXA sites with more than 50 FTEs and data centers owned by AXA. The reporting procedure includes guidelines for reporting and controlling, and calculation rules. AXA monitors its environmental footprint reduction towards its targets. Reporting procedure is updated annually and contributors are trained each year. For each site, contributors specify whether the data has been measured or estimated based on the calculation rules defined in the Group's reporting procedures. In 2020, environmental data was collected for 84% of total FTEs, and the remaining 16% has been extrapolated. Reported data is validated locally by the entity CFOs For more information, please refer to Section 4.3 "Climate Change and Biodiversity " and to the footnotes of environmental data tables.

Societal data collection

Societal engagement data which is presented in Section 4.4 "Inclusive Insurance – Corporate philanthropy and engagement", is collected through a dedicated reporting tool with specific definitions for engagement practices The number of unique volunteers is an estimate based on local entity knowledge of volunteering activities.

Limitations

The sustainability themes « circular economy », « food waste », « fight against food insecurity », « respect of animals' well-being » and «sustainable food » are not considered as main non-financial risks to AXA and are not included in AXA's statement on non-financial performance.

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 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.

Use of international benchmarks

In order to develop its Sustainability 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), the Greenhouse Gas Protocol (ghgprotocol.org) for the calculation of CO_2 emissions and the Science Based Target Initiative for the reduction of our carbon footprint. Other benchmarks are highlighted in the relevant sections, where appropriate.

Foreword

AXA's deep-rooted DNA to bring positive impacts to society and the environment is driven by its 114,625 employees. Skilled, motivated and purpose-driven people enable the Group to best support its customers and meet the major challenges of our time: facilitating post-COVID-19 recovery, sustaining the Group's climate leadership position and placing AXA among the most inspiring companies to work for with recognition through multiple awards in 2020 in a significant number of AXA's operations (Germany, Italy, UK, Belgium, for example).

The Group achieves this through a culture built on AXA's values and a working environment that embraces the individual contributions of all, nurtures personal learning and development, and supports employee well-being in current Smart ways of working. AXA's people strategy for the coming years is structured around two axes:

- Reinforcing an inclusive and purpose-driven organization; and
- Empowering employees to deliver at their best.

2020 has shown the relevance of AXA's strategy, with a focus on protecting the resilience and health of businesses and people and has accelerated a number of transformational changes already underway. This has guided the following Human Resources (HR) priorities:

1) Equip managers and leaders to lead and drive engagement through purpose
2) Accelerate towards being best in class on inclusion
3) Act to position AXA as best in class on health and mental well-being for AXA's employees
4) Engage the employees and build momentum on climate change
5) Accelerate AXA's move to Smart working and leading in hybrid working environments
6) Empower employees to own their development and career journey
7) Support entities to rethink and redesign employee experience aligned with the purpose and the Employee Value Proposition of the Group

Those seven priorities irrigate, structure and reinforce a sustainable employer responsibility approach fostering employee career evolution through skills development, talent management and mobility. AXA aims also to become an employer of choice, reflecting the future of work. Finally, as one of the strongest convictions of an international group with a social and societal responsibility, the seven priorities strengthen the inclusion and diversity across the organization to breed talent and innovation.

For Key Performance indicators and associated targets, refer to 4.1 AXA sustainability strategy – section 2020 main sustainability risks.

Highlight and key figures: geographical footprint distributions and average ages (*)

Continents	Headcount	Distribution	Evolution	Average age
Europe	66,021	57.6%	(-0.3 pt.)	43.2
Asia-Pacific	30,675	26.8%	(+0.9 pt.)	37.8
Americas	11,789	10.3%	(+0.0 pt.)	39.3
Africa	6,140	5.3%	(-0.6 pt.)	33.9
Total	**114,625**			40.9

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

AXA's overall salaried workforce on December 31, 2020, was 114,625 employees (open-ended and fixed-term contracts), which represents a decrease of more than 5% compared to 2019. This decrease is mainly due to (i) the disposals of the AXA Eastern-Europe insurance businesses, and (ii) the ICAS Southern Africa business and finally (iii) the decrease of AXA's workforce split between the different markets and transversal operations.

In 2020, the volume of resignations decreased by one-third and the turnover rate declined from 15% to 11% between 2019 and 2020.

For further details on the above figures and a comparison between 2019 and 2020, please refer to the tables at the end of Section 4.2.

REINFORCING AN INCLUSIVE AND PURPOSE-DRIVEN ORGANIZATION

COVID-19 crisis response: supporting all our stakeholders

From the outbreak of the pandemic, AXA's key priority has been employees' health and safety. Leveraging existing security, safety and crisis management procedures, as well as working from home policies already in place in many countries, the Group was quickly able to switch to remote working, protecting employees in parallel with enabling them to remain fully operational to meet client needs.

AXA intensified its communication throughout the year, cascading regular updates from the crisis leadership team, conducting two additional "checking in" surveys, and consulting frequently with social partners. These guided a number of Group initiatives for employee well-being during the year, including:

- A commitment taken in April 2020 that the sanitary crisis would have no impact on the level of employment and on the remuneration of employees during the confinement period, and that AXA would not use "furlough" or "*chômage partiel*" schemes;
- Ensuring that employee assistance programs (telemedicine and psychological support) were available for staff across the globe;
- The creation of a dedicated resilience program, with the Resilience Institute, to support managers and employees through uncertainty via webinars and on LinkedIn Learning;
- A #HowAreYou campaign involving specialist speakers aimed at de-stigmatizing mental health in the workplace; and
- Series of resources available to employees including learning mini-series for managers on Managing Mental Well-being available on LinkedIn Learning.

Caring for AXA's employees' health and investing in long-term prevention implementing a global program on health and well-being

AXA provides comprehensive employee benefits across its entities. This is critical for attracting and engaging talent and demonstrating that AXA cares about protecting health and well-being. To go a step further in its global employee benefits strategy, AXA launched a new global program to improve employees' health and well-being.

- To enforce prevention and access to care, each employee will be able to benefit from a complete in-person or digital medical check-up depending on their age, receive an annual flu vaccination and participate in information and awareness days organized on AXA premises to better prevent health-related risks; and
- To better support employees who encounter difficulties in their professional or personal life, AXA is giving access to an employee assistance program that provides psychological support and guidance, accessible at all times.

To be deployed in 2021 in all AXA entities, this program complements existing health and access to care services and better aligns the benefits provided to AXA employees across the globe.

Strengthening AXA's approach on inclusion

AXA believes in creating a company culture that values the contributions of every individual and provides equal opportunities to all. By being a diverse and inclusive group AXA can better reflect and respond to the changing world around us, for example by innovating in business offerings through more inclusive insurance products, as well as strengthening team performance.

The 2020 context – widespread health and socio-economic impacts, remote working, etc – has challenged AXA to think more widely about the people that the Group needs to be more conscious and inclusive of. Key topics championed centrally have been complemented by local initiatives, widening AXA's inclusion and diversity (I&D) approach:

- This year's Group Inclusion Conference explored ethnic and racial origins. This gained momentum in 2020 in several entities with for example the launch of "Rise" a Business Resource Group in AXA XL focused on developing colleagues from underrepresented groups;
- AXA in France's MIX'iN community for men and women has also broadened its scope beyond gender balance to include equality, disability, multi-generational and LGBT+ inclusion; and
- To mark the International Day of Persons with Disabilities in December, employees shared personal stories of invisible disabilities. AXA is an active contributor to cross-sector organizations such as the International Labor Organization Global Business and Disability Network and the Valuable 500, with whom the Group works to promote the inclusion of people with disabilities.

For more information please see the Careers section on www.axa.com

Diversity ambition at AXA and focus on gender balance

Inclusion and diversity (I&D) are important drivers of talent and innovation, to attract and retain the best talents and strengthen AXA's reputation as an employer of choice in the market. AXA's I&D ambition is defined and deployed across the Group and reinforced through recruitment, learning and development and talent management policies and processes coordinated by a global community of HR professionals. AXA's leaders act as advocates for our I&D commitments to (i) reach gender balance across the organization, (ii) continue improving organizational awareness of diversity in all its forms, (iii) embed inclusion in the workplace to ensure equal opportunity regardless of age, nationality, ethnic origin, gender, sexual orientation, gender identity or expression, religion, marital status, or disability.

At the end of 2020, women made up over 53% of AXA's sales and non-sales workforce and held 32% (+1pt. compared to 2019) of all Executive sales and non-sales positions. Since 2009, AXA has been tracking representation of women among its Top Senior Executives' population.

AXA is also committed to reaching gender parity by 2023 among its Top Senior Executives (The Global Leadership Network – GLN). The GLN was established in early 2019, and at the end of 2019, women represented 32% of this population. By the end of 2020, it had reached 34%. This has been achieved through a number of key actions, including:

- **Strengthening gender-balanced talent pipelines at all levels of the organization;**
    - Since 2014, the Group has launched yearly Sponsorship Programs to enable to focus on the development of talented women across the organization. One of those programs, the Group Sponsorship Program, was managed at the Group level with ensuring the active participation of Management Committee members and Partners as sponsors and cascaded across 17 of AXA's entities, and
    - In 2020, AXA launched its EVOLVE program to replace the Group Sponsorship Program. Evolve is a career management program to prepare leaders for their next career experience including future GLN positions. The first cohort - 15 women and 5 men, are from diverse backgrounds and nationalities as well as different business areas and markets.
- **Developing female executives**. As part of Top Senior Executive development and talent review planning, AXA explores career-maps for women within the GLN, identifying next moves and working with local HR teams to prepare individuals locally for upcoming vacancies;
- **Recruiting female talent**. AXA applies gender equality in recruitment processes. For each open GLN position, the short list of candidates includes a balanced slate. 55% of GLN positions in 2020 were filled by female candidates;
- **Objective-setting to foster diversity**. Diversity in teams is a shared goal for AXA's GLN. All Management Committee members and Chief Executive Officers of entities have diversity objectives with a clear focus on improving gender diversity within their respective organizations; and
- **Gender diversity among CEOs under the GLN.** 55% of GLN CEOs who were nominated to effectively start as a CEO in 2020 were women. At the end of 2020, 30% of the CEOs are women.

At the end of 2020, the gender diversity within leadership teams was the following:

	Management Committee			**Partners Group**			**Top Senior Executives**		
	2020	***2019***	***2018***	***2020***	***2019***	***2018***	***2020***	***2019***	***2018***
Women	**15%**	**15%**	**9%**	**27%**	**23%**	**17%**	**34%**	**32%**	**32%**
Men	85%	85%	91%	73%	77%	83%	66%	68%	68%
Total	***13***	***13***	***11***	***48***	***47***	***36***	***253***	***263***	***150***

AXA is committed to reaching gender parity amongst Top Senior Executives (the GLN) by the end of 2023.

The Management Committee assists the Chief Executive Officer in the operational management of the Group.

The Partners Group is composed of members of the Management Committee and approximately 30 other Top Senior Executives from across the Group. Its principal role is to assist the Chief Executive Officer and the Management Committee in defining and implementing key strategic initiatives.

The Global Leadership Network is made up of CEOs 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. GLN members are central to the delivery of AXA's transformation over the coming years.

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

EMPOWERING EMPLOYEES TO DELIVER AT THEIR BEST

In a challenging and evolving business environment, with the emergence of new risks and competitors, AXA is committed to helping its employees acquire the knowledge and skills to drive the Group's growth and be owners of their learning curve and individual career development. Through this the Group mitigates any impact on AXA's competitiveness and performance as well as the potential loss of key talents.

Developing AXA leaders and talents

AXA supports and develops talents through the Group's well-established career management strategy. The Organization and Talent Review (OTR) provides a systematic mapping of leadership roles and succession planning in the GLN. For the GLN population of 250 individuals, AXA conducts annual career discussions and targeted deep executive developments. AXA also supports executive development through the AXA Leadership Academy, which in 2020 was redesigned into a virtual format. Its curriculum focuses on business-critical skills like purpose-driven leadership and tech and data transformation.

Other targeted programs include the People Manager Academy for the Group's 10,000+ managers, a continuous development program, currently in production and co-created with AXA entities. It aims at developing skills such as effective team management, empowerment and resilience. AXA France has already implemented a dedicated program for its people managers (2,100 managers) through a dedicated WeAXELERATE digital platform that runs virtual workshops, webinars and conferences.

Committed to internal mobility

AXA demonstrates a strong commitment to developing its people through internal mobility. In 2020, internal mobility between and within entities was at 8% (stable compared to 2019). It is AXA's commitment to further strengthen internal mobility in the coming years, and specific actions such as providing greater visibility and accessibility to jobs are underway.

A strong element of AXA's appeal as an employer is its global footprint across 54 countries. Mobility policies and processes support individual career aspirations and allow the Group to provide opportunities for development assignments abroad. Despite COVID-19 restrictions in 2020, AXA continued its commitment to international mobility, supporting 507 individuals in assignments across the Group (From 794 employees in 2019). Another 2020 initiative was the launch of a Graduate Program for AXA Group Operations giving new recruits the opportunity to work in up to three countries in key areas such as data science and software engineering.

Facilitating lifelong learning

With the objective of becoming a self-learning organization, AXA believes in offering new and continuous learning opportunities to equip employees with the necessary skills for tomorrow. For this the Group provides a mix of industry-related expertise, transversal knowledge and managerial and soft skills development. The efforts of the Group represent an investment in learning of more than 70.9m€ in 2020.

This investment supports AXA commitment to develop and train all its people at least once a year; this has been achieved over the past two years. On average, across the Group, an employee develops and trains 3 days per year. Looking more especially to sales employees it is 6.5 training days per year.

The shift from in-person to online training as a result of the pandemic and the increasing use of a variety of shorter learning formats (video, quiz and interactive formats) resulted in a decrease of 7.5% in the total number of training days between 2019 and 2020 (335,269 days in 2020 compared to 362,448 days in 2019). Although the new formats allow to reach improved efficiency of learning activities, through adaptability and innovative approach, as well as self-learning.

Upskilling the Group's workforce is a challenge that AXA has accelerated through digital and on-demand learning models.

Key learning programs for all employees in 2020 included:

- The launch of LinkedIn Learning, which provides 16,000 modules of customized and off-the-shelf content, available anywhere, at any time and on any device. At the end of 2020, 36,000 of AXA's employees were regular users of Linkedin Learning;
- Future Fest, AXA's third annual Learning Week, this year highlighted tech and data, focusing on Artificial Intelligence, Data, Cybersecurity and Cloud. It was an opportunity to engage employees of all levels and guide them in understanding the challenges and opportunities Tech and Data can offer. Over 19,500 employees worldwide participated in a Tech & Data assessment, with over 8,000 participants on multiple global events, broadcast virtually; and
- Novel and interactive formats were also introduced: AXA Switzerland launched peer-to-peer learning, sharing internal expertise in short TED-style talks, and AXA Italy broadcasted a series of podcasts from influencers, digital marketers and academics exploring self-development and talent.

Responsible work conditions respecting work-life balance

A priority over recent years has been building a more agile working culture through teleworking, part-time work, flexible hours or compressed working weeks. This is a physical and mindset transformation increasingly adopted across the Group. A more flexible environment is deployed in the campus-style workplaces in several AXA European entities (France, Spain, and Belgium), as well as in Group Operations.

Smart working also accelerated in 2020 as part of AXA's digital transformation. In 2020, 52% (+20pts. compared to 2019) of AXA salaried employees under open-ended contracts had teleworking arrangements (57% of non-sales and 22% of sales salaried workforces). This reflects both the widespread switch to remote working during the pandemic, as well as a strategic HR goal to create the workplace of the future with the target to reach 70% of teleworkers by 2023. AXA has drawn on its experiences in 2020 to devise its future Smart working strategy and the key focus will be on how best to motivate and manage people, time and projects to optimize productivity alongside a better work-life balance. This is a long-term cultural and organizational change that AXA will continue through training and learning programs for managers and all employees.

Reinforcing engagement through dialogue and feedback

Strengthening employee engagement has been a focus given the context of the COVID-19 crisis in 2020 and links to our key HR action of aligning employee experience with AXA's purpose and Employee Value Proposition. AXA has maintained continuous discussions with employee representative bodies, from the European Works Council to local union groups and has ensured a high-quality social dialogue. This ensures transparency on strategic and social topics impacting the workplace, and consultation on how AXA can support employees through any transition. Social dialogue allows the Group to align global principles with locally relevant approaches.

Each AXA entity 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. Besides, AXA is a United Nation Global Compact signatory and is committed to uphold the right to freedom of association and collective bargaining.

In 2020 AXA launched its Employee Shareholder offering "Shareplan" across 37 countries including China, demonstrating the Group's commitment to increasing engagement and ownership. Participation was lower than in 2019 (15% in 2020 compared to 24% in 2019), reflecting a general trend towards caution in personal investment decisions in a year with much financial uncertainty.

Listening to employees and taking action builds a culture of feedback that connects everyone to AXA's purpose. To measure engagement, the Group conducted two Pulse surveys in 2020 - evaluating people's strategic alignment, confidence, and sense of empowerment. Employees believe in the Group's strategic direction (up 10 pts.) and recognize AXA as an agile, innovative organization that puts customers first (all saw double digit improvement). The Employee Net Promoter Score (eNPS) at Group level improved to 35 pts. - up from 21pts. as of December 2019. This puts AXA among the highest scorers in the Global High Performing Companies 2020, an indicative benchmark compiled by CultureIQ from companies in widely respected rankings such as Fortune's Most Admired and Best to Work For lists.

	2020	2019	2018	2017
eNPS target	**25**	**14**	**0**	**-**
eNPS result	35	21	7	-5
Employee coverage	*100%*	*90%*	*85%*	*82%*

The Employee Net promoter score is measured by asking employees one question, "How likely are you to recommend AXA as a place to work". The answer scale is from 0 to 10, and the result is calculated by taking the percent of promoters (answers of 9 – 10) and subtracting the percent of detractors (answer of 0 – 5). This then produces a metric on a scale from (-100) to (+100).

For more information on AXA's I&D policy, please refer to the "Collecting feedback and Measuring Employee Engagement" page on www.axa.com.

EMPLOYER RESPONSIBILITY PERFORMANCE AND SOCIAL RISKS MITIGATION

Reporting on its non-financial social performance allows AXA to monitor and evaluate how HR policies and practices help the Group mitigate potential social risks and drive its strategic programs in two people-focused axes:

- Reinforcing an inclusive and purpose-driven organization; and
- Empowering employees to deliver at their best.

The three main sustainability risks identified on Employer responsibility are monitored and followed through key indicators and targets described on section 4.1. In 2020, results demonstrate the positive impact of the seven HR Priorities on those risks.

- Become an employer of choice, reflecting the future of work;

  Progress in this area is closely linked to initiatives around health and well-being, work-life balance and flexible working arrangements.
  This is measured through:
  - **eNPS score:** The eNPS 25 points 2020 annual target has been surpassed with a 32 points result in June 2020 and finally a 35 points result in December 2020. This represent a 14 points increase compared to December 2019,
  - **Proportion of teleworkers:** The proportion of teleworkers has drastically increased in 1 year (+20 pts.), from 32% in 2019 to 52%. 2020 pandemic environment has catalyzed and accelerated teleworking agreements to reach a 52%. Nevertheless, almost all AXA employees were able to work remotely to adapt to different local regulations. It sets the stage for Smart Working strategy with the ambition to reach 70% of teleworkers by 2023, and
  - Besides, in 2020, in the perspective of the Health and Well-being initiatives, the sickness absenteeism rate decreased from 3.3% in 2019 to 2.8% in 2020;

- Foster employee career evolution through skills development, talent management and mobility;

  Progress in this area is underpinned by individual assessment, training and learning programs as well as opportunities to move internally and internationally. This is measured through:

- **Proportion of employees having been trained:** despite the crisis, the development of all employees has remained a reality for AXA. 100% of AXA salaried workforce have been trained at least once in 2019 and in 2020, and
- **In 2020, the mobility within the Group** has also remained stable (internal mobility rate: 8%) even if the number of international moves is slightly lower this year (507 employees in 2020 compared to 794 in 2019). The turnover rate decreased by 4 points between 2019 and 2020 to reach 11%, AXA's lowest turnover rate since more than 10 years;

- Strengthening inclusion and diversity to breed talent and innovation.

  In addition to strengthening inclusion and diversity through awareness building, recruitment and development of people from underrepresented groups, AXA closely tracks progress on key gender balance commitments:
  - **2023 Gender parity at Top Senior Executive level:** at the end of 2019, women represented 32% of this population. At the end of 2020, it reached 34%.
  - Moreover, in 2020, a similar positive trend on women representation is observed within All Executives category position: 32% (+1 pt. compared to 2019).

GROUP SOCIAL INDICATORS

WORKFORCE STRUCTURE (a)	2020		Evolution	2019		2018	
Total headcount of salaried workforce as of December 31st	**114,625**	**emp.**	**-5.2%**	**120,869**	**emp.**	**125,934**	**emp.**
Headcount of salaried workforce with fixed-term contract	4,347	emp.	-25.0%	5,799	emp.	119,780	emp.
Headcount of salaried workforce (open-ended contract only)	110,278	emp.	-4.2%	115,070	emp.	6,154	emp.
► Proportion of All Executives	2.7	%		2.8	%	3.1	emp.
► Proportion of all Professionals	43.1	%		43.6	%	43.9	emp.
► Proportion of Associates	54.1	%		53.5	%	53.0	emp.
Women representation	**53.5**	**%**		**53.6**	**%**	**53.4**	**%**
► Proportion of Executives women	31.7	%	**+ 0,8 pt.**	30.9	%	28.7	%
► Proportion of all Professional women	45.6	%	**- 0,5 pt.**	46.1	%	44.9	%
► Proportion of Associates women	60.9	%		60.9	%	62.0	%
Average Full-time equivalent (headcount converted into full-time equivalent) of salaried workforce	**107,998.9**	**fte**	**-2.4%**	**110,701.9**	**fte**	**115,768.5**	**fte**
► Average FTE of salaried non-sales force	92,356.8	fte		94,558.6	fte	99,134.4	fte
► Average FTE of salaried sales force	15,642.1	fte		16,143.3	fte	16,634.1	fte
Average FTE of temporary non-salaried staff	**9,623.9**	**fte**	**-9.5%**	**10,634.8**	**fte**	**8,586.9**	**fte**
► Non-salaried temporary staff and contingent workers	6,802.6	fte		7,594.0	fte	5,768.1	fte
► Trainees/Apprentices	2,821.3	fte		3,040.8	fte	2,818.8	fte
Employee Profile							
► Average age of salaried workforce	40.9	yrs	0.8%	40.5	yrs	40.8	yrs
► Average length of service of salaried workforce	10.6	yrs		10.3	yrs	10.4	yrs
► Average number of working days per year	227.4	days	0.3%	226.7	days	229.1	days
► Proportion of part-time salaried workforce	9.5	%		9.3	%	9.0	%
► Proportion of Teleworkers	52	%		32	%	-	%
Number of employees with disabilities - concerns entities operating in France only	727	emp.		760	emp.	743	emp.

WORKFORCE DYNAMICS (b)	2020		Evolution	2019		2018	
Movements of salaried workforce: net headcount evolution (entries versus departures)	**-4,640**	**emp.**		**-8,369**	**emp.**	**708**	**emp.**
Entries	11,516	emp.	- 33,0 %	17,199	emp.	19,533	emp.
► Number of external recruitments (incl. Rehires)	10,185	emp.		15,170	emp.	17,483	emp.
► Number of fixed-term contracts transformed into open-ended contracts	1,307	emp.		1,968	emp.	2,013	emp.
► Number of entries following external mergers and acquisitions	24	emp.		61	emp.	37	emp.
Departures	16,156	emp.	-36.8%	25,568	emp.	18,825	emp.
► Number of resignations	7,840	emp.		11,521	emp.	12,372	emp.
► Number of economic/collective layoffs	1,253	emp.		1,330	emp.	1,474	emp.
► Number of individual layoffs	1,845	emp.		2,145	emp.	2,528	emp.
► Number of retirements/pre-retirements	1,549	emp.		1,498	emp.	2,033	emp.
► Number of departures due to external transfers (b)	3,473	emp.		8,860	emp.	206	emp.
► Number of other departures	196	emp.		214	emp.	212	emp.
Internal mobility rate of salaried workforce	**7.8**	**%**		**8.2**	**%**	**8.9**	**%**
Turnover rate of salaried workforce	**11.4**	**%**	**- 3,6 pts.**	**15.0**	**%**	**15.6**	**%**
► Involuntary (layoffs/dismissals)	2.8	%		3.1	%	3.6	%
► Voluntary (resignations)	7.1	%		10.4	%	10.4	%
► Other reasons (pre/retirements and miscellaneous)	1.6	%		1.5	%	1.9	%

COMPENSATION, ABSENTEEISM AND TRAINING (c)	2020		Evolution	2019		2018	
Compensation cost of salaried workforce	**8,145.6**	**M€**	**-0.1%**	**8,151.6**	**M€**	**9,274.6**	**M€**
► Proportion of fixed pay (related to wages)	81.3	%		81.2	%	77.2	%
► Proportion of variable pay (related to wages)	18.7	%		18.8	%	22.8	%
Absenteeism rate of salaried workforce	**4.1**	**%**	**-0,6 pt.**	**4.7**	**%**	**4.7**	**%**
► Sickness absenteeism rate	2.8	%		3.3	%	3.2	%
► Work-related accidents absenteeism rate	0.1	%		0.1	%	0.1	%
► Maternity/paternity leave absenteeism rate	1.2	%		1.3	%	1.4	%
Number of training days of salaried workforce	**335,268.7**	**days**	**-7.5%**	**362,448.3**	**days**	**330,248.7**	**days**
Average number of training days per salaried workforce	3.0	days		3.2	days	2.7	days
► Average number of training days per salaried non-sales force	2.4	days		2.7	days	2.2	days
► Average number of training days per salaried sales force	6.5	days		6.1	days	6.1	days
Percentage of salaried workforce having received at least one training course	100	%		100	%	97.8	%
Training cost of salaried workforce	**70.9**	**M€**		**91.9**	**M€**	**88.1**	**M€**

(a)

- Kamet (411 salaried employees with open-ended contract) did not report the teleworking indicators;

- The rates and ratio within this section are the Headcounts as of Dec. 31st of the reporting year.

(b)

- External transfers: Salaried workforce who have left AXA because of an activity/job transfer to an external company or due to disposal of businesses, are no longer under a contract with AXA;

- Kamet (411 salaried employees with open-ended contract) did not report the workforce dynamics indicators;

- The rates and ratio within this section are the Average Headcounts of the reporting year.

(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 0.6%.;

- Kamet (411 salaried employees with open-ended contract) did not report the absenteeism and training indicators;

- Compensation and absenteeism: the rates and ratio of those categories are the average salaried FTEs of the reporting year;

- Training: the rates and ratio of those categories are the Average Headcounts of the reporting year.

- Training costs include: EXTERNAL COSTS: (1) External trainer cost and external instructional designer; (2) External annual licensing for on the shelves e-learning content, or external unitary cost of acquisition of e-learning modules. (3) Logistics cost. (All costs invoiced to the entity) and INTERNAL COSTS: (1) The salaries / wages of internal L&D employees; (2) Logistics cost; (3) Learning Management System cost

4.3 Climate Change and biodiversity

As described above in Section 4.1 and in AXA's Business Model, environmental protection including the interconnected issues related to climate change and biodiversity loss, is a strategic pillar for the AXA Group's sustainability as an insurer, investor and a large multinational corporation. This section covers all three dimensions.

AXA's POSITION ON CLIMATE CHANGE AND BIODIVERSITY

Insurers are well positioned to address climate-related risks. They have claims loss data, as well as models and tools to analyze and conduct forward-looking approaches. They have a duty to disseminate knowledge about new risks and create adequate insurance products and investments policies. Finally, through their significant investments, they are also well positioned to send the right signals to the investment community and to the specific companies they invest in.

AXA's climate & biodiversity strategy, updated in November 2019, features the following developments, supporting the concept of aligning our business with the Paris Agreement:

- "Warming Potential" (see "Investments" section below) of our investments aligned on a +1.5°C trajectory by 2050. This long-term target is complemented, since December 2020, with a -20% investment-related carbon footprint target between 2019 and 2025;
- A green investment target of Euro 24 billion by 2023;
- The launch of the "Transition Bond" asset class, with two issuances of 100M€ in 2019 and 2020;
- A long-term total exit from the coal industry backed by strict investments and underwriting restrictions, as well as on other carbon-intensive industries;
- A target to contribute to carbon neutrality via our operations (direct environmental footprint);
- A commitment to address biodiversity loss through investment and underwriting policies;

These initiatives are developed in our annual Climate Report (see on axa.com) and in the following sections.

In addition, in 2020:

- The AXA Group called for the creation of an industry-led alliance to promote climate neutrality in insurance underwriting practices, the Net-Zero Insurance Underwriting Alliance;
- In the wake of the COVID-19 crisis, the Group supported several calls to "build back better" after the crisis: the "Call for Mobilisation" led by EMP Pascal Canfin and the EpE association (Entreprise pour l'Environnement)-led call for a green recovery. AXA presides the World Economic Forum's "CEO Action Group for the European Green Deal" which is designed to help mobilizing private sector capital to finance the Green Deal despite the COVID-19 crisis;
- The COVID-19 crisis has had a significant impact on AXA's internal environmental footprint with a sharp decrease of business travel, buildings and vehicle fleet usage as a result of lockdowns and teleworking periods;

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, which focuses on climate risks) and the mandatory 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 extends beyond purely environmental factors. Furthermore, this text is an overview of our more detailed "2021 Climate Report" [3], to be published on www.axa.com in Q2 2021.

(3) No information, document or item contained in AXA's Climate Report/TCFD 2021, or available on the Company's website in connection with the Climate Report/TCFD 2021, is incorporated by reference in this Annual Report.

Definitions and Governance

AXA defines RI as the integration of Environmental, Social and Governance (ESG) considerations into investment processes, including ownership practices. Our objective is to align investments with AXA's Sustainability agenda of protecting people over the long term and creating stronger and more sustainable societies. This agenda is in line with our interests as a global insurer and investor.

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. Within ESG, climate change deserves special attention. We actively pursue measures to manage climate-related risks and opportunities.

AXA has developed a comprehensive RI strategy covering the Group's General Account assets, including its Unit-Linked investments, where relevant. The implementation of this strategy is overseen by a specific RI governance. AXA's Group-level Responsible Investment Committee (RIC) is chaired by the Group Chief Investment Officer, and includes representatives from AXA's Asset Management entity, Corporate Responsibility, Risk Management and Communication. The RIC reports to the Group Investment Committee, chaired by the Group Chief Financial Officer, and sensitive and/or strategic climate finance-related decisions debated in the RIC are ultimately approved by the RISSC (see Section 4.1 "Governance and stakeholder engagement"). In addition, in 2020 the "ESG Footprint Committee" reviewed 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.

Responsible Investment strategy

AXA's Responsible Investment strategy is embodied in its Group Responsible Investment policy (published on the Group's website: www.axa.com/en/about-us/responsible-investment). In 2020, this policy was updated to include a new pillar, Climate-related portfolio alignment with Paris Agreement's objectives. The policy's six pillars are as follows:

- **ESG Integration**: We integrate ESG analysis into investment processes, using KPIs and qualitative research across most of our assets. 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. This includes the implementation of ESG "minimum standards" rules based on ESG and controversy scores to review and potentially exclude underperforming issuers from AXA's portfolios. In addition, ESG considerations as well as the transparency of the issuers are integrated in the internal credit risk analysis;
- **Climate-related portfolio alignment with Paris Agreement objectives**: Carbon metrics are integrated into investment decisions. AXA continues to develop metrics for measuring the climate-related impact of our investments, in particular the contribution of our investments to the objective of the COP21 ("Paris Agreement") to limit global warming to well below 2°C;
- **Exclusions and sensitive ESG investments**: Sector-based restrictions apply to sectors or companies that face acute social, human rights, ethical or environmental challenges. These sector restrictions are published on AXA Group website (www.axa.com/en/about-us/responsible-investment) and currently include controversial weapons, coal mining and coal-based power generation, tar oil sands and associated pipelines, palm oil, food commodity derivatives, and tobacco;
- **A green investment target and transition financing**: To increase the allocation of green assets across various asset classes and to support companies shifting towards less carbon-intensive business models;
- **Impact investing**: Investments that create intentional, positive, measurable, and sustainable impacts on society (both social and environmental issues) while simultaneously delivering financial market returns;
- **Active stewardship**: Through voting and engagement on a range of ESG or sustainability issues.

The AXA Group as well as its in-house Asset Management entity AXA IM and its multi-asset manager Architas are signatories of the UN-backed principles for Responsible Investment (UN PRI). AXA has implemented an online training course on responsible investment in collaboration with the AXA Group's Responsible Investment Center of Expertise and AXA Investment Managers, which is mandatory for the AXA Group's investment community and is also open to all AXA employees.

ESG integration

AXA tracks its investments' ESG performance by leveraging AXA IM's in-house ESG tool, where proprietary ESG scores and "impact-type" metrics are used to monitor ESG risks, identify areas of improvement, set targets or guide shareholder engagement. This analysis covers AXA's General Account assets (sovereign and corporate bonds, equity, property, infrastructure, and Commercial Real Estate debt):

- **for corporate issuers (equity and debt):** the ESG assessment emphasizes impact and materiality. It draws on fundamental principles, such as the United Nations Global Compact, the OECD Guidelines, the International Labour Organisation conventions, and other international principles and conventions that guide companies' activities in the field of sustainable development and social responsibility;
- **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 and equity):** 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-Related portfolio alignment

As required by the TCFD guidelines and article 173, AXA strives to translate international climate objectives derived from the COP21 Paris Agreement into quantitative investment targets since 2016. In 2020, AXA continued 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 "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** (the potential impacts of climate change on AXA's investments): 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. This top-down approach identifies emissions reductions targets by country, sector and company-level, applies corresponding carbon price constraints, compensated by future "green revenue" estimates. This approach enables to project companies' potential costs or gains, which are translated into a forward-looking "cost of climate" indicator. For AXA's sovereign portfolios, AXA uses another methodology developed by Beyond Ratings, (acquired by the London Stock Exchange in 2019) 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** (the potential impacts of AXA's investments on the climate): in 2020, AXA continued its investigation of the concept of an "investment temperature". This 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 global climate target. This produces a "warming potential" indicator per company and sector, and ultimately for AXA's investments.

“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 to conduct a “physical risks” analysis on its real estate portfolio. 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, the 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 2021 Climate/TCFD report 2019 : a 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. The “warming potential” described above, which is a forward-looking and dynamic concept, is a relevant answer to this objective as it is similar to a “projected carbon footprint”.

Following in-depth analysis of “temperature” methodologies, AXA announced in November 2019 its commitment to align its investments with the Paris Agreement, thereby committing to achieve a 1.5°C “warming potential” by 2050.

Our 2020 TCFD-related modelling shows that our investments (corporates and sovereign) have a 2.8°C “warming potential”. This is below our benchmark of 3.6°C but nonetheless shows that investors are operating in a carbon-intensive economy that is not aligned with the Paris Accord. A vast energy transition effort is required. All companies must evolve, and it is incumbent on investors to identify and support relevant transition strategies.

AXA therefore joined the UN-led “Net Zero Asset Owner Alliance” (the NZAOA), whose objective is aligned with this transition imperative (see below).

2020: the announcement of an intermediate target

As part of its participation in the NZAOA, AXA commits to publish intermediate targets every five years to track progress towards climate neutrality by 2050. In December 2020 AXA announced its intermediate target, a 20% reduction in the carbon footprint of AXA’s General Account assets by 2025 (starting date being 2019 and representing an aggregated 20% reduction across corporate fixed income, listed equities and real estate assets). A carbon footprinting approach was chosen by NZAOA members as emissions reporting methodologies are considered currently more robust, and data availability is stronger. While various forward-looking metrics exist, such as the “warming potential” metric, more convergence is needed. AXA’s contributions to supporting methodology convergence is developed in our 2021 Climate/TCFD report.

Exclusions and sensitive ESG investments

Certain activities and products are deemed to be inconsistent with our climate strategy and broader sustainability goals of protecting people over the long term. AXA has developed specific “sector guidelines” which apply both to investments and insurance (see following section). These currently include the following sectors:

- coal and oil sands;
- “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 announced 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 AXA XL assets).

Climate-related exclusions: 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 was amplified 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 300 MW and/or over 10 GW 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 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 divested from the main oil sands producers and from the main associated pipelines players.

A Green investment target and transition financing

Green Investments

In addition to “temperature” targets and divestments, green investments encourage various sectors to ramp up their climate strategy. In November 2019, AXA committed 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. In December 2020, AXA’s green investments reached €16.1 billion (€11.7 billion end of 2019).

AXA and the IFC, a member of the World Bank Group focused on the private sector, launched a US$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 2020, mandatory loans amount to US$404 million, of which US$162 million has already been financed (at the end of 2019 mandatory loans amounted to US$390 million, of which US$120 million had 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, since 2019, AXA IM has worked to develop the concept of “transition bonds”. In November 2019, AXA announced the launch of a first, 100 million euro “transition bond” in partnership with Crédit Agricole CIB. In 2020, AXA announced a second transition bond of 100 million euros in partnership with BPCE. The proceeds will be used to finance Natixis’ assets, being project and/or corporate loans from sectors with high emissions reduction potential as well as their contribution to a low carbon economy. The details of this project are available online. Throughout 2020, AXA IM acted as co-chair of the Climate Transition Finance Working Group of the International Capital Markets Association (ICMA) which published the Climate Transition Finance Handbook, the first global effort to frame the concept of transition finance.

Impact investing

Impact investing means investing with the clear intention of generating positive, measurable social and environmental outcomes, as well as competitive financial returns. AXA’s impact investing strategy is designed to align with this traditional definition of impact investing. This approach is aligned with the Operating Principles for Impact Management sponsored by the International Finance Corporation. AXA IM is a founding signatory to these Principles and a Member of the Advisory Board. Since 2013 AXA has committed almost €700 million to impact investing.

Active stewardship

As a shareholder and bondholder, AXA has the possibility to engage with the management of companies in which it invests in order to help catalyze positive change on certain issues (such as climate change, health, governance, market practices, etc.). These engagement activities are carried out either directly by the Group or by AXA IM on behalf of the AXA Group and third-party clients. AXA IM holds constructive and challenging discussions directly with investee companies, and as part of a coalition of investors, engaging with companies in key sectors. Voting at General Meetings is performed in favor of environmental, climate-related, social and governance issues including sustainability disclosures.

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. Addressing biodiversity-related risks and opportunities is a natural extension of AXA's climate efforts. Indeed, climate change is severely compounding the destruction of ecosystems around the world, adding pressures related to drought, ocean acidification, more intense natural catastrophes, etc. AXA's biodiversity strategy currently includes the following developments:

- AXA committed to several public Pledges since 2018: "Act4Nature", "Business for Nature" and the "Finance for Biodiversity" initiative. AXA's CEO also addressed the 2020 UN General Assembly to support these initiatives;
- in 2019, during G7 Ministerial meetings, AXA launched with the WWF the report "Into the Wild – Integrating nature into investment strategies" 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, as well as the creation of biodiversity risk metrics adapted to investors;
- AXA initiated a three years partnership (2020-2023) with the WWF which covers: crafting an industry-led taskforce to develop a biodiversity risk-related guidelines for the financial services industry (TNFD), developing biodiversity risk and impact metrics, and supporting AXA's Impact Investing work and relevant policy development;
- In 2020, AXA and the WWF helped create the "Informal Working Group" (IWG) dedicated to crafting the TNFD in 2021. The IWG features over 60 members which include insurers, corporates, asset managers, commercial, development and central banks as well as governments. AXA leads its "Governance" working group;
- AXA launched a $175 million "Impact Investment" fund focused on biodiversity protection. In 2020 AXA decided to double this commitment to $350 million. The Fund has a specific investment objective to deliver measurable impact outcomes: avoided emissions (CO_2 tonnes), area land conserved km2, ecosystems and species preserved (km2 and #), waste avoided (m tonnes), vulnerable communities protected (#people). The Fund has already completed 11 transactions ranging from a sustainable micro-forestry business in Kenya to a natural capital restoration project developer in Indonesia;
- AXA, together with 3 peers, BNPP AM, Mirova and Sycomore AM, launched an RfP to identify the most promising biodiversity risks data provider. The selected partner developed a tool based on the concept of the MSA ("Mean Species Abundance") which tracks damage to biodiversity that can be correlated to investment databases. The four partners have committed to fund this organization for three years (2020-2023) in order to develop adequate risk and impact metrics;
- the AXA Research Fund actively supports academic research on biodiversity risks (see Section 4.4 "Inclusive Insurance", paragraph "AXA Research Fund");
- 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 protect ocean biodiversity;
- Product innovation: there is growing understanding of the economic, social, and ecological importance of nature-based solutions to mitigate the effects of climate change. For example, coral reefs and mangroves provide protective benefits to many millions of people around the world and form a critical component of disaster risk management and climate adaptation in more vulnerable geographies. AXA XL is leading the work to build a Coastal Risk Index. By integrating coral reefs and mangroves into risk models, we will be able to more accurately price risk and support the development of risk management solutions, whilst catalysing the protection and sustainable management of coastal ecosystems to increase resilience and biodiversity. In 2020, alongside partners at The Nature Conservancy and the University of California, Santa Cruz, AXA published a study on how both indemnity and parametric insurance could be used as a finance mechanism to pay for mangrove restoration after extreme weather events. The first coral reef insurance product (not developed by AXA) deployed off Quintana Roo in Mexico was activated after Hurricane Delta in October 2020. Through a grant from the Ocean Risk and Resilience Action Alliance which AXA XL co-chairs, Willis Towers Watson and the MAR Fund are working with local governments and stakeholders to design and, ultimately, deploy new parametric insurance products at four sites along the Mesoamerican reef;
- Finally, AXA has called for the adoption of a robust international agreement to be reached during COP15 in Kunming, China, at the end of 2021.

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. Since 2020, the RISSC (refer to 4.1, paragraph on "Governance and stakeholder engagement") drives the integration of AXA's climate and biodiversity strategy in its insurance activities. In addition, a dedicated team with Group Risk Management analyses Emerging Risks which often relate to long term ESG issues, and monitor their potential impact (refer to section. 5.7 paragraph on Emerging risks). 5 Risk factors and risk management, part Emerging risks). The Group Emerging Risk Committee issues recommendations to adapt our business offer and underwriting policies.

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 coal-related restrictions at client-level, mirroring divestment criteria (see investment section above). Oil sand activities and arctic oil exploration activities are also banned for underwriting.

A business referral process is in place to monitor the implementation of these guidelines. These 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 and in our annual Climate Reports.

Coalition-building: the Net-Zero Insurance Underwriting Alliance

In December 2020, at the occasion of the fifth anniversary of the COP21 Paris Agreement, AXA called for a significant new development in our underwriting business. Indeed, AXA has pioneered climate-related efforts and reframed the Paris Agreement as an investment roadmap by committing to climate neutrality in our investments. We also actively support coalitions that bring collective solutions to issues that require industry-wide cooperation. This is why AXA publicly supports the creation of a UN-convened "Net-Zero Insurance Underwriting Alliance" to collectively extend our commitment to climate neutrality to our insurance business.

Our products

In addition to reorienting its investment strategy, the Group seeks to minimize its "indirect" impact by offering insurance solutions that promote environmentally-friendly behavior.

- AXA XL underwriters have significant expertise and capacity for insuring clients in the energy industry, with a strong focus on renewable energy;
- Some local entities also develop Motor and car fleet insurance policies encouraging low CO2 emission vehicles, home insurance policies encouraging energy efficiency, renewable energy installations, and environmentally friendly claims strategies. For instance, in case of a car accident, AXA France promotes the use of second-hand parts instead of new ones, and AXA Switzerland encourages repairing damaged components ("micro-repair") rather than swapping them out;
- 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). Refer to section 4.4 and in AXA's annual Climate Report;
- See also innovative "Nature-based solutions" in "Biodiversity" section.

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

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;
- **CEO Action Group for the European Green Deal**: this coalition, initiated by the World Economic Forum (Davos) in 2020, strives to help finance the EU "Green Deal" in the wake of the COVID-19 crisis. AXA's CEO chairs this group;
- **Biodiversity**-related pledges supported by AXA include: Act4Nature, Act4Nature International, Business for Nature and Finance for Biodiversity;
- **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 500 million more people in emerging countries by 2025 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 that engage with consumer goods companies on the threat posed by plastic waste and associated pollution;
- The Group has also signed a three-year partnership with the **WWF France**. See "Biodiversity" paragraph above;

AXA supports 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), UN Global Compact, CDP, ORSE, EpE, Finance for Tomorrow.

OWN OPERATIONS

AXA monitors and reduces its direct (operational) environmental footprint.

Assessment of the 2012-2020 objectives

In 2012, AXA had set objectives to reduce its internal environmental footprint by 2020. These objectives have mainly been met or exceeded, illustrating the efforts made by AXA to control its greenhouse gas emissions and its water and paper consumption.

	Units	Target 2020/2012	2012	2020	AXA performances	Target reached
2012-2020 Objectives						
Reduce our CO2 emissions per FTE (energy, business travel, car fleet and paper)	TCO2eq/FTE	-25%	2,4	1,5	-38%	Yes
Reduce energy consumption (Scope 1 et 2)	KWh/FTE	-35%	4 408	2 219	-50%	yes
Reduce car fleet travel distance (Scope 1)	km/FTE	-15%	2 550	1 248	-51%	yes
Reduce business travel distance (Scope 3)	km/FTE	-5%	2 395	750	-69%	yes
Reduce office paper consumption (Scope 3)	kg/FTE	-45%	28,0	9,2	-67%	yes
Reduce marketing and distribution paper consumption (Scope 3).	kg/client	-50%	0,1	0.04	-62%	yes
Reduce use of water	m3/FTE	-15%	10,0	4.8	-52%	yes
Source paper from reclyded or responsible sources	%	> 95%	66%	74%		no
RE 100 engagement : 70% renewable energy in 2020	%	70%	NA	49%		no

Performance targets 2019-2025

As its 2020 objectives are coming to an end, AXA has been working to roll out new objectives for 2025 based on year 2019. With this new cycle, AXA aims at continuing its efforts to reduce the footprint of its operations on all the "Scopes" of its greenhouse gas emissions[4]:

- Scope 1: Emissions related to fuel combustion on AXA's sites (fuel oil...) as well as by its vehicle fleet (fuel);
- Scope 2: Emissions from purchased energy (mainly electricity consumed by AXA buildings);
- Scope 3: Emissions from business travel and IT activities. Emissions related to paper consumption, monitored until 2020, have become less material and are excluded from these new targets. Note: "Indirect" Scope 3 emissions related to our investments are described in Section 4.3 "Investments".

AXA has developed new objectives, based on the approach promoted by the Science Based Targets initiative (SBTi), which AXA joined in 2015. More specifically, AXA has chosen the "Sectoral Approach to Decarbonization" to define its 2019-2025 objectives, aimed at achieving the goals of the Paris agreements. AXA has submitted to the SBTi a target of -25% for the energy, car fleet and business travel perimeter.

This objective is part of a broader framework that integrates the new measures related to AXA's IT activities and which translates into an overall reduction of the Group's CO2 emissions of -20% by 2025 compared to 2019 (energy, motor fleet, business travel and office automation and IT activities perimeter).

(4) As defined by the « Greenhouse Gas Protocol" : www.ghgprotocol.org

	Unit	Target 2025 / 2019
	t.CO2 eq	-20%
Reduce AXA's CO2 emissions (Energy, car fleet and business travel and IT activities) (a)		
CO2 emissions core operations submitted to SBTi (c)	t.CO2 eq	-25%
CO2 emissions due to energy consumption	*t.CO2 eq*	*-35%*
CO2 emissions due to car fleet	*t.CO2 eq*	*-20%*
CO2 emissions due to business travel	*t.CO2 eq*	*-18%*
Reduce energy consumption	KWh	-10%
RE100 commitment to renewable electricity (AXA-buildings and data centers) (b)	%	100%
Reduce unsorted waste per FTE	kg/FTE	-10%
Reduce water consumption per FTE	m3/FTE	-10%
Reduce office and marketing paper consumption per FTE	kg/FTE	-20%

(a) As CO2 emissions linked to paper consumption become less material for AXA, they are excluded from CO2 targets.
(b) In line with AXA's "RE100" commitment for Electricity. RE100 is a coalition of companies that commit to purchasing 100% of their electricity from renewable sources.
(c) it translates into : -25% Scope 1 (direct energy and fuel); -35% Scope 2 (electricity and other indirect energies); -18% Scope 3 (business travel).

Please note that AXA has not set targets for Scope 3 employee commuting to and from work given that AXA does not monitor commuting constraints (employee’s personal choice, location, infrastructure…).

2020 environmental performance

CO2 emissions

CO_2 emissions related to energy consumption, car fleet and business travel have decreased by -56% between 2019 and 2020 and amount to 84,647 tons equivalent CO2 (t eq CO2) vs. a 2020 target of 183,406 t eq CO2

In 2020, 58% of the Group's CO2 emissions are related to energy consumption, 21% to business travel (air and rail), and 21% to AXA's vehicle fleet.

Scope 1 CO_2 emissions

AXA's Scope 1 emissions include the CO2 emissions generated by gas and heating oil burned on site, as well as the fuel used by the Group's automobile fleets. The calculation of CO2 emissions related to primary energy consumption for buildings is done using ADEME emission factors or those communicated by the supplier for renewable energies such as biogas. For car fleet emissions, an emission factor per km is applied based on the vehicle's emission range. To take into account regulatory changes and new WLTP standards (“Worldwide harmonized Light vehicles Test Procedure”), vehicles acquired or leased from 2020 onwards are classified according to the WLTP standard.

Scope 1 CO2 emissions amounted to 26 292 t eq CO2 in 2020, a decrease by 31% compared to 2019. AXA's 2020 target was 36,133 t eq CO2 (target is -25% between 2019 and 2025). The decrease is mainly explained by less heating due to the COVID-19 crisis, but also by energy saving measures and shift to other energies. Use of vehicle fleet was also down in 2020 compared to 2019 with a decrease by -33% of traveled kilometers and the C02/km emissions of the AXA fleet decreased from 124 gCO2/km on average to 121 gCO2/km (-2%).

Scope 2 CO_2 emissions

CO2eq emissions related to electricity consumption are calculated based on consumption in kWh. If the primary source of electricity is known, ADEME emission factors are used. Otherwise, either we use the emission factor provided by the electricity suppliers or the average emission factor for electricity in the country (source ADEME or the European Environment Agency for European countries).

For other secondary energies (heating and cooling networks) we use the emission factors provided by ADEME or the supplier if the secondary energy is produced from a primary renewable source.

Scope 2 emissions amount to 40,894 t eq CO2 in 2020, a decrease by -35% compared to 2019. AXA’s 2020 Target was 58,465 t eq CO2 (target is -35% between 2019 and 2025). Thisdecrease is mainly due to the lowrr consumption induced by reduced use of buildings due to COVID-19 situation.

Scope 3 CO_2 emissions

AXA's Scope 3 emissions include CO2 emissions related to business travel, consumption of digital equipment (computers, fixed and cell phones, storage tools, cloud storage servers) and employee commuting. However, the target set by AXA on Scope 3 for the period 2019 - 2025 includes only business travel.

AXA's **Scope 3 business travel** emissions are at 17,460 t eq CO2 in 2020, a decrease by 81% compared to 2019. The target for AXA was 87,680 t eq CO2 for 2020, excluding COVID-19 effect (target is -18% between 2019 and 2025). The COVID-19 crisis is the main driver of this significant decline in 2020. New teleworking habits have been adopted and travel banned due to the sanitary situation. The emission factors are those of ADEME and of the UK Department for Environment, Food and Rural Affairs (DEFRA).

Scope 3 employee commuting emissions are estimated at 86,166 t eq CO2 in 2020, a decrease by -30% vs 2019. AXA usually measures carbon emissions related to its employees' commuting to and from work. In 2020, due to the COVID-19 crisis, the transportation survey has not been conducted among AXA’s employees. Given that travel habits have been severely disrupted by the COVID-19 crisis, it did not seem appropriate to conduct a survey this year. An estimate was made in relation to emissions calculated in 2019, to which a ratio of 0.7 was applied, based on the drop observed on car fleet and energy consumption.

ENVIRONMENTAL INDICATORS AXA Group (a)	UNIT	2020	2019	2018	Target 2025 / 2019	Evolution 2020/2019
Number of group FTEs from HR	FTE	117 623	121 337	124 355		-3%
Internal area: occupied and vacant	m2	1 538 964	1 629 198	1 705 774		-6%
CO2 EMISSIONS						
KPI: Total CO2 energy, car fleet and business travel	**T. eq. CO2**	**84 647**	**191 238**	**172 887**	**-25%**	**-56%**
Total CO2 energy, car fleet and business travel per person	T. eq. CO2/FTE	0,72	1,58	1,39	na	-54%
Scope 1 CO2 emissions (Energy (b) and car fleet (d))	T. eq. CO2	26 292	37 889	38 778	-25%	-31%
Scope 2 CO2 emissions (Energy (c))	T. eq. CO2	40 894	62 765	69 160	-35%	-35%
Scope 3 CO2 emissions (Business Travel (e))	T. eq. CO2	17 460	90 584	64 948	-18%	-81%
CO2 emissions: power consumption (b+c)	T. eq. CO2	49 415	73 431	80 652	-35%	-33%
CO2 emissions: AXA vehicle fleet (d)	T. eq. CO2	17 771	27 223	27 287	-20%	-35%
CO2 emissions: business travel airplane and train (e)	T. eq. CO2	17 460	90 584	64 948	-18%	-81%
CO2 emissions: home/workplace commute (f)	T. eq. CO2	86 166	123 094	109 389	na	-30%
CO2 emissions: home/workplace commute per person (f)	T. eq. CO2/FTE	0,71	1,01	0,88	na	-30%

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 2020, environmental indicators were collected for 98,691 FTEs working on AXA sites (unless otherwise indicated in these footnotes), and were then extrapolated, continent by continent, to cover all 117,623 salaried FTEs (all types of contrat), working at the AXA Group in average in 2020.
(b) Includes naturalgas, biogas, heating oil
(c) Includes electricity, steam and chilled water
(d) The AXA vehicle fleet data was collected from entities representing 98,004 FTEs.
(e) Business travel data have been collected from entities representing 95,526 FTEs.
(f) Home/workplace commute estimations are based have been estimated based on 2019 data and the COVID-19 effect on other indicators. Does not include company cars, to avoid double counting with the AXA vehicle fleet data.

For the first time, AXA measured the **Scope 3 footprint of its IT activities**. IT Scope 3 emissions (equipment and services) amount to 19,914 t eq CO2 in 2020. Scope 3 related to AXA's IT impacts was the subject of in-depth work in 2020. (refer to paragraph "Environmental impact related to the use of digital equipment").

Total AXA's Scope 3 emissions (business travel, commuting and digital equipment and services) amount to 123,540 t eq CO2 in 2020.

Analysis per consumption items

Power consumption

AXA's power consumption includes the total energy consumed by its corporate sites (heating, cooling, daily operations electricity) and data centers during the reporting year. In 2020, total energy mix consisted of electricity (74%), gas (13%), steam (10%), chilled water (3%) and heating oil (0,5%).

AXA's total energy consumption is 260,992 MWh for 2020, a decrease by -15% compared to 2019. This consumption is lower than the 2020 target of 300,182 kWh for this year (AXA target is -10% between 2019 and 2025).

These results are partly related to the effect of the COVID-19 crisis on buildings' use with a lower occupancy rate, even though they've been largely heated and cooled to maintain accessibility. 2020 achievements are also the result of our continued efforts to save energy at our sites. In 2020 69 AXA sites out of the 225 office sites (31%) included in the environmental reporting will receive an environmental certificate under building certification programs such as BREEAM (Building Research Establishment Environmental Assessment Methodology), LEED (Leadership in Energy and Environmental Design), HQE, etc.

In 2020, 57% of the electricity consumed by AXA was coming from renewable energy sources (hydro, wind, solar, geothermal, biomass) which is slightly lower than in 2019 (59%). Some contractual constraints prevented electricity type's change in 2020 and COVID-19 crisis has drawn facility teams' focus. AXA's "RE100" objective is to reach 100% by 2025, with an intermediate target of 70% by 2020 that has been only partly met because some datacenters have not been able to switch to renewable electricity in 2020.

Business Travel

Business travel measured in km decreased by -78% between 2019 and 2020, from 393,322 km in 2019 to 88,276 km in 2020, mainly impacted by the COVID-19 context (as explained in "Scope 3 Business travel" above). Some entities such as AXA XL and AXA Climate have initiated a carbon pricing on business travel**.**

Vehicle Fleet

AXA's fleet is made up of commercial and corporate vehicles. In order to take into account for the evolution in low-emission vehicles' supply, two additional emission bands (less than 20 gCO2/km and 21-60 gCO2/km) have been added together with their corresponding emission factors. The standards for calculating vehicle emissions are evolving with the deployment of the WLTP standard. Vehicles acquired or leased from 2020 onwards are classified according to this new standard.

In 2020, the total distance traveled by the Group's vehicle fleet was 146,765 km in 2020, down -33% from 2019.

The Group has implemented car fleet policies that define CO2 emission limits for all types of vehicles, regardless of employee contributions. Employees are also encouraged to opt for hybrid or electric cars. These policies also include safety standards. In 2020, 23% of the kilometers traveled by AXA's vehicle fleet were driven by vehicles emitting less than 100g CO2/km), 37% by vehicles emitting between 101g and-120g.

Paper

AXA's paper usage concerns office paper (measured per employee) and marketing and distribution paper (brochures, etc., measured per client). AXA's total paper consumption was 47.7 kg/FTE in 2020 vs. 62.1 kg/FTE in 2019, i.e. a decrease of -23%. 2020 Target was 48.9kg/FTE (AXA target is -20% between 2019 and 2025 target).

Our office paper consumption per FTE is 9.2kg/FTE in 2020 vs. 11.4 kg/FTE in 2019, a decrease of -19%. Many entities have implemented a printing policy that includes reducing the number of printers and installing a badge system to collect all printed documents.

AXA's consumption of marketing and distribution paper per client is 0.04kg/client in 2020 vs. 0.06kg/client in 2019, a decrease by-26%.

AXA also strives to increase the volume of paper from recycled sources or sustainably managed forests. In 2020, AXA sourced 48% of office paper and 80% of marketing and distribution paper from recycled sources, for a total of 74% (vs. 72% in total in 2019).

Water consumption

AXA's water consumption is 4.81 m3/FTE decreasing by –31% compared to 2019. Target for 2020 was 6.9 m3/FTE (target is -10% between 2019 and 2025). This reduction in water consumption reflects better water management initiatives by the entities and the buildings' lower occupancy rate in the context of COVID-19 crisis.

Waste Management

AXA contributes to waste reduction and sorting for recycling.

The quantity of unsorted waste is 23.1 kg/FTE in 2020 decreasing by -40% compared to 2019, mainly due to COVID-19, waste reduction initiatives, and the development of selective sorting in the entities. Target for 2020 was 37.6kg/FTE (reduction target is -10% between 2019 and 2025).

The total amount of waste generated by AXA is 5,430 tons in 2020 and the recycling rate (sorted waste / total waste) is 50%.

ENVIRONMENTAL INDICATORS AXA Group (a)	UNIT	2020	2019	2018	Target 2025 / 2019	Evolution 2020/2019
Number of FTEs in the HR group	FTE	117 623	121 337	124 355		-3%
Interior space: occupied and vacant	m2	1 538 964	1 629 198	1 705 774		-6%
ENERGY						

KPI: Energy consumption (b)	**MWh**	**260 992**	**305 500**	**344 684**	**-10%**	**-15%**
Electricity consumption	MWh	193 113	203 335	204 838		**-5%**
Share of renewable electricity	**%**	**57%**	**59%**	**55%**	**100%**	**-3%**
TRANSPORTATION						
Business travel: train and plane	Thousands of km	88 276	393 322	336 918		**-78%**
Business travel: AXA's fleet of vehicles	Thousands of km	146 765	220 173	223 577		**-33%**
Home/workplace travel (round trip) (c)	Thousands of km	683 788	976 840	920 155		**-30%**
WATER (d)						
Water	m3	566 155	850 506	1 003 964		**-33%**
KPI: Water consumption per person	**m3/FTE**	**4,81**	**7,01**	**8,07**	**-10%**	**-31%**
PAPER (e)						
KPI: Office, marketing and distribution paper per person	**kg/FTE**	**47,7**	**62,1**	**110,1**	**-20%**	**-23%**
Paper : desk	T	1 082	1 384	1 616		**-22%**
Office paper per FTE	kg/FTE	9,2	11,4	13,0		**-19%**
Recycled paper and/or guaranteeing sustainable management: office	%	48%	58%	58%		**-17%**
Paper: marketing and distribution	T	4 528	6 153	12 078		**-26%**
Paper marketing and distribution by customer (f)	kg/Client	0,04	0,06	0,12		**-26%**
Recycled and/or sustainably managed paper: marketing and distribution	%	80%	72%	41%		**12%**
WASTE						
Total Waste	T	5 430	na	na		**na**
Unsorted waste (g)	T	2 712	4 646	4 512		**-42%**
KPI: Unsorted waste per person	**kg/FTE**	**23,1**	**38,3**	**36,3**	**-10%**	**-40%**
Share of recycled waste (total sorted waste/total waste)	%	50%	na	na		**na**

Key Performance Indicators (KPIs) are highlighted in bold. AXA sites with fewer than 50 FTEs are not included in the data collection, but are part of the extrapolation process.
(b) Includes electricity, natural gas, fuel oil, steam, chilled water.
(c) Without company car to avoid double counting with AXA's fleet of vehicles.
(d) This data was collected from entities representing 98,594 FTEs.
(e) Paper data collected from entities representing 98,554 FTEs.
(f) The Group had 107.8 million customers in 2020.
(g) Data on unsorted waste collected from entities representing 98393 FTEs.

Environmental impact related to the use of digital equipments

AXA activities have gone more and more digital over the last years. The COVID-19 crisis further accelerated the transformation of the Group way of working**,** most employees working remotely full or part time. However, digital activities are proved to have a strong environmental footprint via the extensive use of energy and raw material to build ever more sophisticated devices.

In 2020, AXA initiated a "Sustainable Digital" program led by AXA Group Operations, with Corporate Responsibility team support, covering all AXA entities except AXA XL at this stage. This program aims at measuring the carbon footprint of AXA's digital activities, considering the different components (usage, equipment, data center and services) in a holistic way. AXA's digital impact is disclosed for the first time.

Reducing the environmental footprint of digital activities for AXA goes through monitoring their energy consumption as well as its equipment needs. The approach has been developed following the recommendation of The Shift Project "LeanICT" publication and encompassed several steps:

- Elaborate and launch a Sustainable Digital strategy;
- Develop a sustainable digital culture at AXA;
- Measure the carbon footprint of the Information System , throughout its life cycle;
- Build a sustainable Information System by integrating the requirement for sobriety into data centers operations, terminals life cycle, practice of architecture, data management, development, etc;
- Engage with customers, suppliers, partners, institutions towards sustainable solutions and services through working groups or research.

AXA's digital footprint is 26,506 t eq CO2 in 2020. This footprint divides into four main categories:

- 32,874 MWh corresponding to 2,492 t eq CO2 related to the electricity consumption of the servers directly used and operated by AXA Group Operations in its data centers. This is a subset of Scope 2 electricity of AXA (refer to paragraph "Scope 2" CO2 emissions for calculation methods);
- 10,456 MWh corresponding to 4,099 t eq CO2 linked to the electricity consumption of the terminals used by employees and service providers involved in AXA operations (computers, monitors, cell phones, tablets). The calculation method is based on internal inventories and manufacturers' data. The measurement includes a subset of Scope 2 (for consumption in AXA buildings) as well as a Scope 3 part in the case of remote work. The proportion of consumption inside and outside AXA's premises has not yet been determined;
- 16,234 t eq CO2 related to the manufacturing of digital equipment that have been purchased by AXA. The calculation method is based on inventories, manufacturers' and public data as well as equipment average lifespan (Scope 3 emissions);
- 3,680 t eq CO2 in connection with AXA's purchases of digital services like cloud computing (Scope 3 emissions).

In addition, AXA continues to ensure compliance with Directive 2012/19/EU on Waste Electronic and Electrical Equipment (WEEE), for example by extending the lifespan of IT equipment and promoting the reuse of reformed equipment.

AXA Information System Environmental footprint indicators (1)	UNIT	2020
Electricity consumption : data centers (2)	MWh	32 874
Scope 2 CO_2 emissions: electricty of data centers (3)	T. eq. CO_2	2 492
Electricity consumption : terminals (4)	MWh	10 456
Scope 2&3 CO_2 location based emissions: electricity of terminals	T. eq. CO_2	4 099
Scope3 emissions: Purchased IT equipments (5)	T. eq. CO_2	16 234
Scope3 emissions: Purchased Services market based (6)	T. eq. CO_2	3 680

(1) Full scope of the AXA Group, with the exception of AXA XL and data centers based in the United States.

(2) We are in the process of consolidating our digital footprint. The reported energy consumption concerns our main data centers in Europe and Asia. Until the end of this consolidation program, the energy consumption of certain equipment is not isolated and the Scope 3 of this equipment is not monitored.

(3) With the Scope 2 methodology defined by AXA.

(4) Calculation relies on in-used inventory of Laptop, Desktop, Smartphones, Tablets, Monitors and usage hypotheses both in AXA offices and at employees' when they work from home. It represents 224 590 items of IT equipment's for AXA workforce.

(5) Emissions from servers, laptops, desktops, smartphones, etc. are based on equipment inventories, average holding time and equipment manufacturing published by suppliers (or the best available estimate based on the public databases of ADEME (https://www.bilans-ges.ademe.fr/) and the REN of The Shift project (https://theshiftproject.org/wp-content/uploads/2019/04/Lean-ICT-Materials-REN-2018-updated-in-April-2019.xlsx)).

(6) "Life cycle" emissions related to 1/ the manufacture of equipment used in the servers of external data centers and 2/ emissions related to the energy consumption of these external data centers after compensation by the provider (ADEME emission factors for the country or provider data). Emission sources are either based on information from service providers or on estimates/extrapolations when no measured data is available, in particular on emissions related to the manufacturing of equipment. At this stage, only the major service providers are tracked: Amazon, Microsoft, and Salesforce.

4.4 Inclusive insurer

This section encompasses AXA's inclusive protection side,. As a responsible insurer, AXAaims at addressing the protection gap of vulnerable communities, through business opportunities adapted to local conditions. Our goal is to (1) foster integration of more inclusive criteria and practices in our different business lines, (2) share best practices and (3) develop an impact measurement methodology.

In 2020, AXA and the entire insurance sector have been highly called upon in the context of the unprecedented COVID-19 crisis. First of all, AXA has committed for hospitals, purchasing masks at the very beginning of the crisis with 2million masks and 20 000 free meals (thanks to AXA-Uber partnership). Many business-related initiatives have been implemented throughout the Groups with products and services' adaptations. Insurance coverage of customers and particularly caregivers have been extended. It started in China through AXA Tian Ping. For examples, AXA France committed to redistribute some parts of premiums to its professional clients through various schemes. Germany has paused some premium increases and maintained P&C insurance contracts. Switzerland and Indonesia have extended health contracts' guarantees. AXA has leveraged its teleconsultation services to contribute to the effort of healthcare services across the globe, in France, Belgium, Italy and Asian region.

Beyond these insurance activities, AXA has also supported the economy and made efforts to mitigate the societal consequences of this COVID-19-19 crisis. In France, AXA has contributed to the State solidarity fund to support SMEs. AXA France has contributed to strengthen SMEs' equity.

In addition, as a responsible investor, in 2020 AXA invested over €1.9 billion in social bonds, including in response to COVID-19.

BUSINESS-RELATED SOCIETAL INITIATIVES

As a responsible insurer, AXA strives to make insurance accessible to all. Insurance is a major catalyst for economic development and progress in society. Risks' pooling, which is at the heart of insurance, creates a system of mutual support and reinforces a sense of community. AXA's aim is to extend the scope of insurance, by innovating to enable populations who have traditionally been less well protected to access insurance, including through the following initiatives :

- integrating ESG criteria in product range through dedicated product labels such as Assurance Citoyenne;
- being actively engaged in financial inclusion with AXA Emerging Customers;
- providing insurance solutions and opportunities for women with Women In Insurance initiative;
- developing parametric insurance solutions to protect vulnerable populations from the effects of climate change, with AXA Climate;
- access to health and disease prevention through divesting from the tobacco industry and developing dedicated products.

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 2020, AXA France built all new offers around these engagements and distributed in total 68 different labelled products. Since 2015, 6.3 million labelled contracts have been sold.

Emerging Customers and initiatives to foster more resilience

Through the development of its Emerging Customers insurance solutions across the world, AXA addresses financial exclusion by enabling vulnerable segments of the population to access insurance products and services that accompany them in their economic progression and provide a safety net that prevents them from falling into poverty. This approach requires the design of propositions that are accessible, affordable, and relevant to the reality of these customers. The AXA Emerging Customers products and services are designed leveraging technology, and involving co-creation with customers as well as distribution partners, including mobile network operators, banks and microfinance institutions, FMCG companies, and remittance companies.

In 2020, AXA Emerging Customers covered over 22 million customers and has continued to develop various partnerships across more than 10 markets in Asia, Africa, and Latin America. In 2020, there was a particular focus on developing partnerships with health-tech players combining insurance and wellness services. One example is the partnership with Alodokter, a leading health digital platform in Indonesia, which has been running for 2 years. Another example, launched in 2020, was the first simple, digital, and accessible inclusive insurance program by AXA China and AXA Next Business Innovation Center, a PPP scheme with the Beijing Civil Affairs Bureau. Furthermore, in response to the COVID-19 pandemic, AXA Emerging Customers engaged in the provision of free telemedicine consultations in several countries to support customers in accessing medical services.

Parametric insurance

With around 100 B2B public and private sector clients worldwide, AXA Climate (formerly AXA Global Parametrics) provides immediate protection to communities facing climate risks in order to prevent them from falling into poverty.

By drawing 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 has also developed early warning systems using satellite and other weather data to anticipate and initiate contingency planning before a natural catastrophe occurs. Climate change is another field that AXA Climate is working on, developing a unique global risk adaptation platform to provide risk assessments and tailored adaptation plans.

AXA Climate works closely with governments and international organizations to develop public-private partnerships in emerging markets. Public-private partnerships represent over half of the portfolio.

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.

Moreover, AXA Climate also works with the public sector on agriculture insurance projects at smaller scale in Pakistan, Vietnam, Taiwan, Senegal, Ivory Coast, Cameroon, Zambia, Ethiopia and Mozambique where it protects over half a million farmers.

Corporate clients of AXA Climate include also leading industrialists in Europe, Asia and the Americas, agriculture cooperatives, forestry organizations both in Europe and Latin America, and renewable energy companies.

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 published a report, “SheForShield”, which looked at women’s attitudes towards insurance, as well as their needs and expectations. Since AXA has developed the “Women in Insurance” initiative aimed at increasing women’s access to insurance products and.

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 2020, 17 entities included “Women in Insurance” as a strategic priority and 25 products have been developed (versus 17 entities and 26 products in 2019).

Further, in 2019 through AXA Research Fund, AXA dedicated €1 million to research to better understand and prevent health and entrepreneurial barriers for women.

Since 2018, AXA is also a strategic partner of the Global Women’s Forum, with the objective to disseminate AXA’s expertise and influence on the best practices, solutions and projects. Through this organization, AXA published in 2020 the first Gender Equity Barometer to highlight the disparity between perception and reality on gender-related topics in G7 countries.

Leading the Women4Health Daring Circle, AXA is striving towards giving women equal access to health and exploring unique and paramount ways to enhance their health status and their quality of life by shaping a new inclusive health system in the post COVID-19 world.

In 2020, AXA teamed up with research firm Ipsos to survey 8,000 women from different social backgrounds in eight countries. As a result, two reports have been published on the impact of COVID-19 crisis on women. The first examined the effect on women’s incomes, and job security in order to understand the impacts of the crisis. The second report looked at women’s health, and the effect of the crisis on their physical and mental wellbeing as well as their approach to healthcare.

Health and disease prevention

In 2020, AXA’s efforts, in place since 2016, to divest from and end insurance covers for the Tobacco industry (€1.8 billion) have been officially certified through the ‘Tobacco Free Finance’ stamp. This stamp attests AXA’s strong commitment in the fight against tobacco that generates more than 8 million deaths per year, standing out as one of the leading causes of death in the world. 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.

In parallel, AXA entities have been designing digital, simple and affordable inclusive health programs in order to reduce the protection gap among poor or vulnerable populations with regards to specific health risks. AXA China has been examining substandard risks, e.g. people traditionally excluded from insurance by addressing their protection gap. Another example is AXA Philippines which has rolled out an underwriting process covering substandard lives as part of their IPMI (International Private Medical Insurance) product (reinsured by AXA PPP).

Inclusive economy and growth

AXA continues its involvement in several coalitions for a more inclusive economy.

The “inclusive economy coalition” was launched in 2018 by CEOs of 33 major companies in France, including AXA’s, to act in favor of a more inclusive economy. This collective commitment is one of the private sector’s responses to the social vulnerabilities in France.

In 2020, the coalition has mobilized facing the sanitary crisis. AXA contributed through the donation of 795 digital equipment to help those isolated during the coronavirus lockdown to reach out and keep in touch. 495 laptops were donated to the Simplon Foundation for hospitals, nursing homes and facilities for disabled people, and a further 300 laptops and desktops to the Emmaus Connect initiative for underprivileged children.

In addition, this coalition has continued its engagement on three themes: employment (apprenticeship, integration, training), more accessible products and services, and inclusive purchasing. With regards to employment and training, one of the main commitments of the coalition was a 35% increase in the number of work-study students between 2018 and 2020. At the start of the September school year, and further to AXA’s participation in various employment events, AXA businesses in France welcomed more than 1,100 work-study students. Finally, to meet the collective objective of +5 million hours of training in 2019 and 2020, AXA provided more than +55,000 hours of training in 2020 to all AXA employees in France despite COVID-19.

The working group on products and services focused on inclusive offers proposed individually or in partnerships within the coalition members. AXA got involved with Renault and Total in a joint initiative to offer training for driving license to young people for whom it’s a prerequisite to access to employment or education (75-100 targeted people). In 2020, the program has started despite sanitary constraints: several young individuals obtained their driving license.

At the international level, AXA continues to be strongly involved in 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. The initiative was launched at the 2019 G7 Summit whose theme was “fighting inequalities of all types”. Since then, a 3-year-program, monitored through a Board of CEOs, has been implemented, covering the G7, the OECD and African countries. Its main deliverables being:

- a founding pledge signed in our head office on promoting equality of opportunities, eliminating gender disparities, reducing spatial inequalities;
- dedicated working groups gathering OECD experts, academia focused on developing inclusive projects;
- an international incubator hosted at the OECD with the objective of building inclusive business with real social and economic impacts;

In 2020, the incubator selected two projects supported by AXA; Insurance Net for Smallholders (INES) and Telemedicine in Mexico.

INES, a joint initiative of AXA Emerging Customers, AXA Climate and L’Oréal, is a project that aims to provide a comprehensive risk protection package (health, climate and value-added services) to over 50k smallholder farmers and their families as part of L’Oréal Solidarity Sourcing programs. These farmers, who had no access to insurance and consequently were vulnerable to risk, will get a health insurance and a parametric climate insurance coverage. Overall, the project aims to improve farmer livelihoods, secure L’Oréal’s sourcing network and increase supply-chain resilience.

AXA’s Telemedicine project intends to increase access to low-cost, remote primary healthcare services for vulnerable populations in Mexico through investment in the AXA Keralty primary healthcare network. The initiative stemming from the COVID-19-19 pandemic aims at providing safe, good quality and cost-effective telemedicine services to mass-market and low-income customers, employees of local B4IG companies in Mexico Corporate philanthropy and engagement.

CORPORATE PHILANTHROPY AND ENGAGEMENT

In line with our Sustainability Risk Assessment (described in Section 4.1), 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 that are aligned with its responsible corporate citizenship strategy.

Community investment

As a responsible corporate citizen, AXA strives to play a positive role in society, building a culture that promotes employee volunteering to support the communities in which AXA operates.

In 2020, AXA pursued the deployment of its philanthropic strategy aligned with the three Sustainability pillars (climate and the environment, health and disease prevention, social inequalities and inclusion) through its Corporate Philanthropy Committee governance body. With the Community Investment Guidelines, AXA entities are also encouraged to focus their philanthropic actions around these three pillars. In 2020, almost 88% of the €41.4 million in donations made by the Group and entities (including the AXA Research Fund) were dedicated to projects relating to these three Sustainability pillars.

With COVID-19 crisis, AXA has committed to support hospitals, medical research effort and care for communities and vulnerable people. On the total donations made by the Group in 2020 67% have been dedicated to COVID-19 crisis. Significant part of health and disease prevention in 2020 has been related to COVID-19 (approximately €27.9 million). Medical research efforts have been supported by AXA mainly through the AXA Research Fund (refer to "AXA Research Fund" paragraph below). To be noted that 2020 was also marked by two humanitarian crises with an international impact: the massive fires in Australia (donation of €64K from AXA Group and AXA XL) and the blast in Beirut (€200K for emergency relief with the Red Cross).

Climate and the Environment

- AXA's global partnership with WWF that was signed in 2019, has been pursued in 2020 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 4.3 "Climate change and biodiversity"). In addition, the philanthropy component of this program contributes directly to the preservation of ecosystems in Mexico and New Caledonia;
- Other engagement for Climate and Biodiversity: AXA XL Ocean education program has already reached and educated 8.5 million children to ocean protection since the start of the program. AXA Ocean Education increased its accessibility in 2020, translating into 6 languages. Local expansion strategies were launched with 5 AXA and AXA XL offices;
- Many AXA entities concluded partnerships to impact positively the environment and fight against climate change (for example, among others, AXA Switzerland, AXA Mexico, AXA France, ...).

Health and disease prevention

- AXA partnered for 3 years starting in 2020 with UNICEF on a program to respond to the global epidemic of overweight and obesity, working on early childhood eating habits in the Philippines and Brazil. To reach children aged from 0 to 5, UNICEF acts on their immediate environment, namely mothers and the health and education professionals around them. Training, communication and advocacy activities with authorities have been implemented by local UNICEF teams despite COVID-19-19 crisis. In 2020, approximately 63,000 children and their mothers in the Philippines and approximately 7,000 health and education professionals in Brazil have been supported (objective of the 3 years program is respectively 177,000 in the Philippines and 16,000 in Brazil);
- Risks' prevention is also a key component developed by AXA's entities in connection with our insurance business. France and Spain have continued their ambitious programs to prevent many health issues (focus on women, health at workplace, children's safety on internet,…). Risks related to road accidents are covered, in connection with our Motor insurance business. France, Spain, Belgium, Switzerland and Mexico have developed awareness campaigns in this area, with an investment of approximately €2 million.

Social Inequalities and Inclusion

Numerous actions are being carried out to provide relief in the matter of "Social Inequalities and Inclusion" by many Group entities, particularly through the AXA Hearts In Action volunteer program (see below). 56% of the volunteer activities offered by AXA Hearts in Action and 14.6% of the sums paid out are focused on projects fighting inequality. Among others, AXA France is also supporting many institutions involved in protecting women that are victims of domestic violence and AXA Switzerland is supporting a program on intergenerational dialogue.

Aligned with its values of protecting and passing on heritage, AXA has been engaged in significant world heritage conservation actions. The end of 2019 was highlighted by the acquisition of a national treasure for the Louvre Museum and renovation work at Château de Versailles (Madame Du Barry's apartments), in addition to solidarity commitments for Notre-Dame de Paris reconstruction. AXA entities, such as AXA France, AXA Spain, and AXA Mexico, are also involved in philanthropy actions, promoting access to heritage and culture for all (priority "social inequalities and inclusion").

AXA Research Fund

The AXA Research Fund, AXA's scientific philanthropy initiative, is committed to supporting science for societal progress. The Fund supports top-tier research projects and engages in dissemination efforts based on science to better inform decision-making.

With a global commitment of €250 million since its launch in 2008, the AXA Research Fund has granted €161 million to the funding of 665 projects that explore solutions to global societal challenges in the areas of climate and environment, health, and socio-economic risk. The selection of research projects is overseen by an independent Scientific Board and based on excellence and innovation.

In 2020 the AXA Research Fund (AXARF) focused on responding to the COVID-19 global health crisis with a commitment of €5 million. A first tranche was dedicated to partnerships with the Institut Pasteur, the APHP (Assistance Publique Hôpitaux de Paris) and other innovative partners working towards ground-breaking solutions to the health crisis, to understand the new virus and develop diagnostic tests, equipment, vaccines and treatments. Ten AXA Awards were granted with a second tranche of funding to support research focused on the management of the pandemic and its fallouts, including the impact on mental health and vulnerable populations.

In the area of Climate and Environment, the AXA Chair on Natural Coastal Resilience Building at the University of Santa Cruz, California was selected for funding for a total of €1 million over 5 years.
Socio-economic research was also further developed with the support of 7 fellowships in the area of Inclusive Growth (€871K), exploring projects from the sustainability of livelihoods in urban informal economies, to circular economy in cities or the digitalization of money.

Based on its strong research network, the AXARF carried out visible dissemination efforts through continued media exposure of its grantees. To better inform decision making in a time of crisis, a Covid-19 task Force of Researchers came together around a series of webinars and a related publication, "COVID-19, Confronting a global crisis", sharing perspectives on health, economic and environmental dimensions. Through AXARF webinars, publications and articles with partners such as The Conversation, researchers from all fields were able to shed more light on issues such as climate change, mental health, women in business, explainable AI for healthcare, cyber security and biodiversity conservation.

Employee volunteering

AXA Hearts in Action is the international volunteering program for AXA employees. In this framework, employees carry out activities on themes aligned with the 3 pillars of our sustainability strategy. In 2020, in order to anchor the program even more strongly in the entities, an international sponsorship committee has been set up.

The COVID-19 crisis that marked the year 2020 had a significant impact on employee volunteering (fewer people on site, restrictions on the organization of face-to-face group events). However, AXA entities showed creativity and employees remained mobilized and donated their time to help the patients, frontline healthcare workers and the most disadvantaged people through virtual operations. This crisis offered new solidarity opportunities with for example the AXA solidarity response global challenge, organized for the benefit of 101 Fund (an endowment fund which gathers 1200 medical intensive care units in 60 countries) and the French hospitals, which generated 11,637 posts on social networks raising €369,631 throughout the Group.

In 2020, more than 23,000 employees (estimated – almost 39,000 in 2019) donated their time and skills. Contributing entities in 2020 represents 98% of AXA average FTEs.

In total, AXA employees carried out a wide variety of activities (1,903 in total), about 35,700 volunteering acts (vs. 81,200 in 2019), which represents almost 228,000 hours (284,000 hours in 2019) during the year, while working on solidarity projects. A large majority of volunteer hours are performed during working hours (almost 200,000 hours versus 240,000 in 2019). Through the AXA Hearts in Action program, the Group seeks to promote all forms of employee engagement, particularly skills-based philanthropy. In 2020, AXA France continued to develop the “AXA Expérience Solidaire” program: 147 employees volunteered in partner associations (versus 110 in 2019). In total, the salaries paid for the 155,000 hours spent on these skills-based volunteering missions represent the equivalent of a donation of nearly €8.3million (versus €7.9 million in 2019). These hours are included in the total number of volunteering hours (almost 73,000 hours of volunteering were done outside “AXA Expérience Solidaire”; among which about 44,000h volunteered during working hours).

The 2020 edition of the CR week celebrated its 10th anniversary. The activities were maintained but adapted with many in a virtual way. It was also the opportunity to launch our first international solidarity sports relay that saw the participation of 9,100 employees worldwide, among which about 2,000 from AXA Tianping. The estimated number of volunteers for the whole CR week 2020 was 16,500 for a total of 24,350 hours given in 43 countries.

4.5 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 & 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 Code 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, AXA launched an updated version of the AXA Group Compliance & Ethics Code. The updated 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 the risk of bribery and corruption, AXA Group has introduced a Group Anti-Bribery & Corruption Policy (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 French law known as "Sapin II" n°2016-1691 of December 9, 2016, on transparency and the fight against corruption in modern economic life. A Group Anti-Bribery Officer is in charge of the global ABC program at Group level and to control its implementation across entities. AXA entities have designated local Anti-Bribery Officers to implement their ABC programs in accordance with AXA's Standards.

AXA Standards certification by entities' CEOs includes a section on the framework "anti-bribery and fight against corruption".AXA's objective is to achieve a consistent anti-bribery and fight against corruption program across the Group's entities, including necessary requirements answering to International Standards (including Sapin II Law), and preventing corruption risks. The entire scope of entities' CEOs has signed-off the AXA standards in 2019 and in 2020.

Business conduct

The Group's insurance, banking and asset management operations are subject to an increasing number of legislative and regulatory initiatives - in the European Union (e.g. Insurance Distribution Directive, MiFID II, PRIIPs) but also in many other parts of the world - designed to increase customer protection in the financial services sector. AXA has taken significant actions to comply with these requirements in each of its businesses where such measures are in place and globally to spread and implement a customer protection culture across the Group. Moreover, AXA demonstrates strong commitment in its Compliance & Ethics Code binding for all its worldwide employees and subsidiaries to treat its customers fairly and professionally, in particular by encouraging transparency or being honest and accountable when promoting products and services.

Among the recent initiatives, a compliance program of customer protection reviews is in place which consists of reviewing how the entities locally manage the customer protection topics and the processes in place, especially with regard to customer information, sales practices or salesforce training. These reviews were initially focused on most of the European entities.

Another key element concerns the well-established product governance process (*Product Approval Process, 'PAP'*) in place to oversee the design, approval and review of the products. The PAP is applicable to all entities of the AXA Group and focuses in particular on the customer dimension, ensuring the product is built starting from the customers' needs and expectations, with a definition of the target market and selection of adequate distribution channels. This formal process also considers that all new products entering into the scope of application of the PAP respect the principles of "value for customer". 100% of the entities part of the AXA standards scope have signed the Group's standards, which engaged them to conduct PAP. In 2020, to the best of our knowledge, all Life & Savings, Health and Property & Casualty products have been subject to the AXA's Product Approval Process.

In addition, compliance risks, specifically business conduct risks, are assessed on an annual basis. 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 was the first insurance group to adopt privacy-related Binding Corporate Rules, approved by European data protection authorities, and constituting an internationally approved data privacy contractual framework for the treatment of customer, employee and other stakeholder personal data. Entities that have joined Binding Corporate Rules represent 99% of AXA's revenues in 2020. These rules and AXA's Data Privacy Declaration, whereby the Group undertakes not to sell personal data of its customers, are available on the AXA Group's website (www.axa.com/en/about-us/our-commitments).

The AXA Group was committed to implementing the General Data Protection Regulation and had in this respect delivered thirty projects dedicated to data privacy, involving over three hundred people in entities located in sixteen countries. The Group is also implementing similar regulations recently adopted in countries outside the European Union.

With the massive digitalization of society, cyber risk is considered today as one of the top risks that citizens and companies must face.

To answer to this threat, and as responsible insurer, AXA has developed a risk-based security strategy that strengthens our business resilience, transforming security from a necessity to an advantage for our entities. Security is managed holistically by the corporate function, Group Security. It gathers the 3 security key disciplines : Information Security, Operational Resilience and Physical Security & Safety.

This converged organization to manage security comes with an ambitious commitment to maintain AXA most mature entities as part of the first quartile of the most secure companies in the financial industry. Therefore, yearly, the security and cybersecurity maturity level of these entities is assessed, based notably on the ISO 270001 norms. In 2020, AXA has reached a 3.17 score, beyond the 3.00 average that leads to the first quartile of the most secure companies in the industry.

This robust security maturity level is also reached by the strong mobilization of AXA's employees that are considered as AXA's first line of defense against cyberattacks. Yearly security and cybersecurity trainings are deployed across group. Thus, in 2020, 100% of salaried and non-salaried employees have been trained and certified (approximately 110 000 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 have been examined and applied directly to the realities of Impact AI's member companies. This reflection led to the development of a "Trustworthy AI" guide published in late 2020.

In parallel, AXA has set up a new Responsible AI Committee that aims to cover the issues of applying trustworthy AI within the Group, in the form of an agile governance that brings together all stakeholders involved in the development of AI solutions and adopted an internal guidance on responsible AI in line with “The Ethics Guidelines for Trustworthy Artificial Intelligence”.

RESPONSIBLE PROCUREMENT

Translating AXA’s Sustainability strategy and commitments into its management of vendors is key concern for AXA. Policies and key performance indicators on Responsible Procurement are presented in AXA’s Vigilance Plan in the following section 4.6.

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 7.3 “General Information”, paragraph “AXA Group Tax policy”. In 2020 all AXA entities have certified compliance with AXA Tax Policy and Tax ethic code (relating to 2019). The Tax transparency report published in 2020 covers 90% of the Group Tax footprint (relating to 2019).

4.6 Vigilance plan

The AXA Group is committed to promoting and protecting human rights and the environment in conducting its business.

To comply with applicable French law requirements [5], AXA has (i) adopted a vigilance plan (the "**vigilance plan**") that sets forth the measures established and implemented by AXA in order to identify the risks relating to, and prevent, violations of human rights and adverse impacts on the environment resulting from AXA's activities, and (ii) prepared a report on the application of this vigilance plan during the financial year 2020 which is included in this section. For purposes of this section, "human rights" comprises fundamental freedoms, as well as the health and safety of persons.

The vigilance plan has reinforced 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 encompasses the activities of the Company and those of the companies controlled, directly or indirectly, by the Company within the meaning of Article L.233-16(II) of the French Commercial Code, including intra-group activities and operations carried out within the AXA Group, as well as the activities of subcontractors and suppliers with whom the AXA Group has an established business relationship, insofar as the activities relate to such relationship.

Given the diversity of the activities of AXA's subsidiaries, subcontractors and suppliers, the vigilance plan sets forth AXA's guiding principles and policies designed to ensure that they have a common understanding of the AXA Group's standards in terms of corporate responsibility, safety, whistleblowing and personal data protection, and operate accordingly. These common measures do not prevent, or restrict AXA from voluntarily taking additional actions in relation to such matters.

IDENTIFICATION AND EVALUATION OF RISKS TO HUMAN RIGHTS AND THE ENVIRONMENT

To ensure that each potential risk identified is covered by a Group policy, AXA conducted an analysis to assess how the AXA Group's activities and operations may potentially impact the environment and human rights.

The work carried out by AXA to establish its mapping of corporate responsibility risks, as well as the main non-financial risks identified by the Group is presented in Section 4.1 "AXA Sustainability Strategy – Sustainability Risk Assessment" of this Annual Report.

Human rights

The AXA Group considers that its activities could have potential direct and indirect impacts on the human rights of its employees, customers and suppliers, as well as potential indirect impacts on the human rights of other persons through the Group's (i) relations with corporate customers or (ii) investments in companies, which are active in sectors and/or countries with increased risks of human rights violations.

Consequently, the AXA Group regularly, and at least every three years, conducts a human rights risk assessment which aims to identify the most relevant risks to human rights that the AXA Group should consider in conducting its business (acting both as an insurer and as an investor). The most recent study was carried out in 2020, with the help of an independent firm, and identified risks in areas such as right to free movement, equality before the law and non-discrimination (with respect to minorities), freedom

[5] Law No. 2017-399 of March 27, 2017 relating to the duty of care 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.

from all forms of forced or compulsory labour, right to freedom of thought, conscience, religion, opinion, information and expression and the principles of freedom of association and collective bargaining. This assessment (“AXA 2020 Report Human Rights Risk Assessment”) which includes the mapping of the risks identified and the measures taken to limit their impact, is available on the AXA Group's website (www.axa.com/en/about-us/our-commitment-to-human rights.

Environment

Environmental risks were already identified in the AXA Group's risk mapping, particularly those related to climate change and biodiversity. AXA’s direct operations, focused 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 global environmental reporting process, which is verified by an independent third-party, allows AXA to (i) evaluate its impact on the environment each year and (ii) identify the risks stemming from its activities for the environment. Please refer to Section 4.3 “Climate Change and Biodiversity – Own Operations – 2020 environmental performance” of this Annual Report for further information on AXA’s environmental footprint.

In addition:

- As an investor, AXA has proactively implemented a Global Responsible Investment Policy and built an analytical framework to identify potential indirect impacts on human rights and the environment. An assessment tool is used to give a score to the companies in which AXA contemplates making an investment. This tool, developed in-house, is based primarily on (i) fundamental principles such as those of the United Nations Global Compact, the International Labor Organization (“ILO”) as well as OECD recommendations, (ii) sector-specific factors and (iii) the reputation and potential controversies regarding these companies. This assessment is updated by AXA every six months. AXA applies a minimum threshold below which companies are excluded from its contemplated investments;
- As a business partner, AXA has implemented processes to identify and assess the risk of human rights violations and environmental risks associated with its use of suppliers and service providers. In particular, AXA implemented an environmental, social and governance ("ESG") risk assessment process for its suppliers, that are identified using an internal risk categorization grid. This assessment is carried out based on procurement categories in light of five criteria (environmental, social, impact on products and services, suppliers’ supply chain and business integrity). Each year, suppliers in the highest ESG risk categories are invited to share their DJSI or EcoVadis scores, or undergo an EcoVadis assessment.

PROTECTION OF HUMAN RIGHTS AND THE ENVIRONMENT

Protection of Human Rights and Human Rights policy

AXA’s 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 (i) United Nations Universal Declaration of Human Rights, (ii) core standards of the ILO and (iii) Guiding Principles on Business and Human Rights (implementation of the United Nations “Protect, Respect and Remedy” Framework or “Ruggie Principles”). AXA’s human rights policy describes the Group’s commitments as an employer, a responsible business partner, an insurer and an investor. It also indicates as well as how the protection of human rights is implemented at the core of the Group’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 fair and favourable working conditions and non-discrimination, through:

- promoting the 10 guiding principles of the United Nations Global Compact (with principles 1 & 2 relating to human rights and principles 3 to 6 to labour standards) and encouraging the reporting of potential or actual severe violations of human rights;
- setting ambitious Diversity and Inclusion (D&I) targets and initiatives. See further details on Diversity and Inclusion in Section 4.2 “Employer Responsibility – Reinforcing an Inclusive and Purpose-Driven Organization – Diversity Ambition at AXA and Focus on Gender Balance” of this Annual Report; and
- the AXA Compliance & Ethics Code, available on the AXA Group’s website (www.axa.com/en/newsroom/publications/compliance-ethics-guide), pursuant to which employees must annually certify the compliance of their activity with the Code.

Please refer to Section 4.2 “Employer Responsibility – Empowering Employees to Deliver at Their Best – Reinforcing Engagement through Dialogue and Feedback” of this Annual Report for further information on AXA employee relations and collective bargaining.

Protection of employee safety, health and security

As regards employee health, the AXA Group has launched an innovative global program to improve the health and well-being of its employees around the world. Please refer to Section 4.2 “Employer Responsibility – Reinforcing an inclusive and purpose-driven organization – Caring for AXA’s employees’ health and investing in long-term prevention implementing a global program on health and well-being” of this Annual Report for further information on this global program on health and well-being.

The AXA Group has also implemented safety, health and security standards with which all Group entities must comply in order to protect employees against intentional, health or accident risks related to their business activity. These standards set out:

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

See further details on employee safety, health and security in the context of the COVID-19 crisis in Section 4.2 “Employer Responsibility – Reinforcing an Inclusive and Purpose-Driven Organization – COVID-19 Crisis Response: Supporting All Our Stakeholders” of this Annual Report.

Personal data protection

AXA was the first insurance group to adopt privacy-related Binding Corporate Rules, approved by European data protection authorities. See further details on personal data protection by AXA Group in Section 4.5 “Business Behaviour – Responsible Data Use and Data Privacy – Data Privacy”.

Integration of human rights into business processes

As an insurer, AXA strives to incorporate ESG criteria (including those relating to human rights) into its insurance business processes as well as into its investment strategy, in line with AXA’s commitment to the UN Principles for Sustainable Insurance.

Its commitments are reflected in internal policies and initiatives led by the Group, including product development processes and policies as well as underwriting guidelines. Such guidelines define the exclusion of certain socially or environmentally sensitive sectors or practices and are supplemented by AXA's policies (which can be directly or indirectly related to human rights) regulating insurance activities in sectors that represent increased risks.

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, in particular by:

- ensuring fair treatment of all customers;
- offering products designed to meet the needs and expectations of its customers;
- offering products and services which help reduce social exclusion and empower insured people to achieve positive health and safety outcomes;
- strengthening its digital presence for a better accessibility of products and services as well as a simplification of interactions with its customers;
- dealing with claims in a prompt, fair, sensitive and transparent manner and ensuring that these processes are clearly explained and understood; and
- 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 4.3 "Climate Change and Biodiversity", 4.4 "Inclusive Insurer – Business-Related Societal Initiatives" and 4.5 "Business Behaviour – Business Ethics" of this Annual Report for further information on integration of ESG criteria in AXA products and services.

Protection of the environment and AXA's strategy

The AXA Group's Environmental Policy, available on the Group's website (www.axa.com/en/about-us/environmental-footprint-management), describes key actions aimed at reducing AXA's direct and indirect environmental impacts.

In particular, AXA's ambitious environmental targets included in its 2025 environmental strategy are notably focused on the reduction of carbon emissions, one of the main contributors to climate change. AXA's carbon emissions reduction targets for 2019-2025 are based on an approach promoted by the "Science Based Targets" initiative. Please refer to Section 4.3 "Climate Change and Biodiversity – Investments" of this Annual Report for further details on AXA policies for the 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.

Certain buildings occupied by AXA benefit from environmental certificates such as BREEAM, LEED and HQE. Please refer to Section 4.3 "Climate Change and Biodiversity – Own Operations – 2020 Environmental Performance - Power Consumption" of this Annual Report for further details on AXA's certifications.

Finally, please refer to Section 4.3 "Climate Change and Biodiversity" of this Annual Report for further details on AXA's strategy, policy, targets and results with respect to environment protection.

Responsible investment activities

In line with the Group's Responsible Investment Policy, available on the AXA Group's website (www.axa.com/en/about-us/responsible-investment), the Group has designed six sector policies to address issues arising from investments sectors that are in particularly sensitive 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 annually certify their compliance therewith.

Moreover, AXA has decided to align its investments with the Paris Agreement, committing to reach a "warming potential" of 1.5°C by 2050.

Please refer to Section 4.3 “Climate Change and Biodiversity - Investments” of this Annual Report for detailed information about AXA’s responsible investment governance, policy, targets and results.

ALERT PROCEDURE

The current alert procedure allows all stakeholders (employees, business partners, etc.) to share their concerns and/or report any practice, action or behaviour that they consider inappropriate, illegal, or unethical. Alerts can be submitted within the relevant entity or sent directly to the Group using a dedicated email address (speak-up@AXA.com) allowing alerts from all geographical areas where the Group conducts business, without restrictions and irrespective of the stakeholders.

The AXA Group examines all alerts received with the objective of ensuring an adequate response (intervention by 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 identity of the author of such alert is treated in a confidential manner and cannot be disclosed without his/her consent (except to judicial authorities). AXA has expressly stated that there will be no act of retaliation against anyone who reports actual or suspected misconduct in good faith, or who 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 procedures. The purpose of the campaign was to strengthen, increase consistency of, and simplify the process across the Group. Various media were used to broadcast this campaign, thus increasing its impact and making it available to all, including through newsletters, screen savers, videos, training, formal presentation, etc.

FOLLOW-UP AND REPORT ON THE EFFECTIVE IMPLEMENTATION OF THE VIGILANCE PLAN

In 2020, the AXA Group ensured the effective implementation of all policies and procedures described in the vigilance plan through the involvement of (i) central teams from the Corporate Responsibility, Procurement, Legal, Compliance, Risk Management and Human Resources Departments and (ii) a network of local correspondents.

Reporting process

In 2020, the Group continued its efforts to raise awareness on the vigilance plan amongst its entities. Awareness sessions were organized in order to remind entities of the duty of care (*devoir de vigilance*) regulation, as well as the penalties applicable in the event of non-compliance with legal obligations. Correspondents of the Procurement and Corporate Responsibility networks attended these sessions in 2020.

In addition, AXA relies on a reporting process for Group entities which is based on pre-existing procedures and monitoring tools and, in particular, on an internal review conducted by the Corporate Responsibility Department. In 2020, the principal operating entities were asked to conduct an internal risk assessment to identify any gaps with the vigilance plan.

Following this assessment, gaps were identified and the relevant entities implemented remedial action plans, including the following:

- the inclusion of the corporate responsibility clause that was reviewed by the Group at the end of 2019 in certain commercial contracts;
- the adjustment of local alert procedures to cover matters related to human rights and the environment; and
- the strengthening of the control of suppliers belonging to categories with high ESG risks via EcoVadis or DJSI assessment.

Responsible purchasing business

Translating AXA's corporate responsibility strategy and commitments into the management of its vendors has been a continuous activity for AXA. This alignment means that AXA has included corporate responsibility matters in the process of selecting and monitoring its business partners. This approach focuses on two areas:

- **responsible people & processes:** all of the AXA employees working in a procurement department, must not only adhere to the Group's Code of Professional Conduct, but also sign a dedicated and reinforced Code of Ethics, which promotes fairness and neutrality, confidentiality and transparency in procurement decisions. Information on AXA's corporate responsibility strategy and the AXA Responsible Procurement policy is also provided to these employees through awareness sessions conducted by the network of Responsible Procurement identified in various AXA entities; and
- **responsible vendors:** AXA requires its vendors to include a "corporate responsibility clause", which is mandatory in its contracts. This clause provides for, in particular, compliance with ILO principles (prohibiting the resort to child/forced labor, promoting employee health & safety, freedom of speech, and non-discrimination). 96.6% of the procurement contracts entered into or renewed in 2020 included this corporate responsibility clause.

In addition, AXA regularly evaluates its suppliers, which are identified using an internal risk categorization grid. Suppliers in the highest risk categories are invited to share their DJSI or EcoVadis scores or, in certain cases, to undergo an EcoVadis assessment. 67.2% of the vendors evaluated in 2020 disclosed to AXA a Bronze EcoVadis score or higher. Following this assessment, the Group noted that a very limited number of its main suppliers had been identified as deficient, and all such suppliers have been sent a corrective action plan by EcoVadis; it being specified that AXA teams have access to such corrective action plan through the platform. The main suppliers of the AXA Group panel can be evaluated by EcoVadis every two years.

Detailed information on responsible procurement policy and standards is provided in AXA's Group Procurement Guidelines. The document is used for vendor selection and management purposes.

Since 2018, AXA has been relying on a dedicated Vendor Risk program to reinforce its operational control and Risk Management of third parties. Please refer to Section 5.7 "Operational Risk" of this Annual Report for further information on this program.

The AXA Group continues to abide by its commitment to implement the same principles as well and received a "Platinum" score in its latest EcoVadis evaluation.

Involvement of AXA stakeholders

In line with its strong culture of dialogue, AXA has regular discussions with its various stakeholders at different levels. Please refer to Section 4.1 "AXA Sustainability Strategy – Sustainability Governance & Stakeholder Dialogue" of this Annual Report for further details about the stakeholder dialogue initiated by AXA.

In order to maintain effective communication between employees and Management as well as a constructive social dialogue, the vigilance plan was presented on several occasions to employee representatives. Through discussions with the Group's French employee representatives and more particularly with the Social Committee of the French Group's Works Council, certain provisions of the vigilance plan have been placed at the core of the employer-employee dialogue.

The AXA Group strives to strengthen the communication of its vigilance plan to all of it stakeholders, in particular by making it available on AXA's website (www.axa.com/en/about-us/our-commitment-to-human-rights).

Contact us

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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 2020

8 April 2021

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 2020

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.* 30 April 2020, 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 2022. We have performed the statutory audit of the Company's consolidated accounts for 22 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 2020, 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' 30.458.321 and a profit for the year of EUR '000' 65.627.

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 2020, 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.

Key audit matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated accounts of the current period. This matter was 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 this matter.

<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.

The COVID-19 pandemic has limited the ability of the expected credit loss models to fully reflect all the consequences of the resulting economic conditions and government measures, requiring the recognition of COVID-19 overlays by management.

At year-end 31 December 2020 information regarding impairment allowances for loans is included in note 15 to the consolidated accounts, in application of the accounting policies as described in Note 2 (chapter “Financial assets and liabilities”).

Information concerning the impact of the COVID-19 pandemic on the expected credit losses is included in Note 4 (Credit risk) to the consolidated accounts.

At year-end 31 December 2020 the gross loans and receivables at amortised cost, excluding credit institutions, amount to EUR 24.100 million, the total impairment at that date amounts to EUR 88,8 million.

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, COVID-19 management overlays, 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, 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 and the COVID-19 management overlays. 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 those parameters and 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. We found no material exceptions in these tests.

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.

We also assessed how management addressed the impact of COVID-19 on the expected credit losses through the use of COVID-19 management overlays and assessed their reasonability.

Finally, we assessed the completeness and accuracy of the disclosures, including the disclosures concerning the COVID-19 'overlays' and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

In our view, the impairments estimated by management, including the COVID-19 'overlays' are within a reasonable range of outcomes in view of the overall loans and the related uncertainties as disclosed in the consolidated accounts.

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. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors' are described below.

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 engagement 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.

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 on the consolidated accounts 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 statement

- 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, 8 April 2021

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
Represented by

Gregory Joos
Réviseur d’Entreprises / Bedrijfsrevisor