AXA Bank Belgium

2021 IFRS Consolidated Financial Statements

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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	2021.12	2020.12	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	340.920	323.055	
Interest income	600.963	1.193.122	
Financial assets held for trading (if accounted for separately)	87.009	716.543	
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	9.601	17.625	
Financial assets at amortised cost	425.278	428.652	
Derivatives - Hedge accounting, interest rate risk	65.464	20.823	
Other liabilities			
On liabilities	13.611	9.478	
(Interest expenses)	310.851	920.320	
Financial liabilities held for trading (if accounted for separately)	64.496	686.995	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	13.066	25.475	
Financial liabilities measured at amortised cost	63.396	88.503	
Derivatives - Hedge accounting, interest rate risk	158.993	112.785	
Other liabilities			
On assets	10.900	6.562	
Expenses on share capital repayable on demand			
Dividend income	19	345	
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	19	345	
Investments in subsidiaries, joint ventures and associates other than accounted for using the equity method			
Fee and commission income	110.904	97.667	7
(Fee and commission expenses)	93.837	84.353	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss,	-4.171	5.509	8
Financial assets at fair value through other comprehensive income	753	747	
Financial assets at amortised cost	-4.666	4.776	
Financial liabilities measured at amortised cost	-259	-14	
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	13.599	-50.875	
Equity instruments and related derivatives	-1.848	-15.176	
Interest rate instruments and related derivatives	2.926	-35.483	
Foreign exchange trading	12.520	-216	
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)	7.214	17.096	9
Gains (losses) from hedge accounting	12.239	44.909	10
Exchange differences , net	-12.356	3.327	
Gains (losses) on derecognition of assets other than held for sale, net	-207		
Other operating net income	17.405	16.630	11

Consolidated income statement in '000 EUR	2021.12	2020.12	Disclosure
Administration costs	217.492	219.382	
Personnel expenses	84.065	86.770	13
General and administrative expenses	133.427	132.612	14
Depreciation	5.647	7.608	
Property, Plant and Equipment	2.899	2.945	23
Investment Properties			
Intangible fixed assets (other than goodwill)	2.748	4.664	24
Modification gains or (-) losses, net	132	-898	
Financial assets at fair value through other comprehensive income			
Financial assets at amortised cost	132	-898	
Provisions	-10.615	-16.539	
Impairment losses on financial assets not measured at fair value through profit or loss	325	24.802	
Financial assets at fair value through other comprehensive income			
Financial assets at amortised cost	325	24.802	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	128.203	86.903	
Tax expense (income) related to profit or loss from continuing operations	35.530	21.277	16
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	92.673	65.627	
Total profit or loss after tax from discontinued operations			
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	92.673	65.627	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	92.673	65.627	

Table CIS.1

The net interest margin increased compared with last year with 17 mio EUR.

Some major elements:

- decrease of received interests related to cash collateral: - 2,8 mio EUR.
- decrease of received interests & similar revenues from trading activity: - 7 mio EUR

Both elements are partially explained by the run-off of the intermediation activity in 2020. This activity was finally ended in the 3rd quarter of 2020 but had still a positive contribution in the interest results of 2020.

- Also at level of the received interests on our investment portfolio we see a decrease: : - 8 mio EUR which in turn is partially explained by bonds coming at maturity and which are not immediately replaced.

But we see that this decrease of income is more than compensated by a decrease of interest costs:

- Financial liabilities measured at amortised cost, more specifically this concerns lower interest costs on issued covered bonds : - 20 mio EUR;
- Interest costs on issued EMTN’s are also decreasing: - 12,4 mio EUR also due to EMTN’s coming to maturity.

Consolidated statement of realised and non-realised results in '000 EUR	2021.12	2020.12	
PROFIT (LOSS) FOR THE YEAR	92.673	65.627	
NON-REALISED RESULTS			
Elements not transferrable to result	6.811	-971	
Actuarial gains (losses) on defined benefit pension plans	11.283	-6.482	(3)
Fair value changes of financial liabilities at fair value through profit or loss that is attributable to changes in their credit risk	-2.217	6.395	(4)
Fair value changes of equity instruments measured at fair value through other comprehensive income	12	-910	(5)
income tax related to previous elements	-2.268	27	
Transferred to profit or loss	-5.352	-4.924	
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	-7.135	-6.565	(2)
Valuation gains/losses taken to equity	-13.247	-18.996	
Transferred to profit or loss	6.112	12.431	
Other reclassifications			
Income tax relating to components of other non-realised results	1.784	1.641	
TOTAL NON-REALISED RESULTS FOR THE YEAR	1.459	-5.895	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	94.133	59.731	
Attributable to equity holders of the parent	94.133	59.731	
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)	2021.12	2020.12
Gross	0	0
Tax	0	0
Net	0	0

Financial assets at fair value through other comprehensive income (2)	2021.12	2020.12
Gross	-7.135	-6.565
Tax	1.784	1.641
Net	-5.352	-4.924

Actuarial gains (losses) on defined benefit plans (3)	2021.12	2020.12
Gross	11.283	-6.482
Tax	-2.821	1.621
Net	8.462	-4.862

Fair value financial liabilities-own credit risk (4)	2021.12	2020.12
Gross	-2.217	6.395
Tax	554	-1.594
Net	-1.663	4.801

Fair value changes of equity instruments measured at fair value through other comprehensive income (5)	2021.12	2020.12
Gross	12	-910
Tax	0	0
Net	12	-910

Table CIS.3

Consolidated Balance Sheet

Consolidated Balance Sheet - Assets in '000 EUR	2021.12	2020.12	Annexes
Cash and balances with central banks	1.784.347	3.737.888	17
Financial assets held for trading	45.992	63.651	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	405.299	733.173	20
Financial assets at amortised cost *	26.364.367	24.597.018	21
Debt instruments	80.626	88.580	
Loans and advances	26.283.742	24.508.438	
Derivatives - hedge accounting	1.210	215	22
Fair value changes of the hedged items in portfolio hedge of interest rate risk	557.980	1.101.248	
Tangible fixed assets	37.281	37.178	
Property, Plant and Equipment	37.281	37.178	23
Investment property			
Intangible fixed assets	17.673	18.430	
Goodwill			
Other intangible assets	17.673	18.430	24
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill)	9.254	9.254	25
Tax assets	33.984	27.409	
Current tax assets	301	242	16
Deferred tax assets	33.683	27.167	
Other assets	23.870	132.858	26
Non-current assets and disposal groups classified as held for sale			
TOTAL ASSETS	**29.281.256**	**30.458.321**	

Table CBS.1

(*) includes reverse repos for an amount of 0.04 million EUR in 2021 and 0 million EUR in 2020.
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). At the end of 2021 the impact of this offsetting amounted to 1.50 billion EUR

Consolidated Balance Sheet - Liabilities in '000 EUR	2021.12	2020.12	Annexes
Financial liabilities held for trading	42.831	73.144	27
Financial liabilities designated at fair value through profit or loss	742.649	881.658	28
Financial liabilities measured at amortised cost	26.717.926	27.917.126	29
Deposits from Credit institutions	2.784	2.314	
Deposits from Other than credit institutions	20.836.062	21.350.843	
Debt certificates including bonds	5.689.050	6.335.553	
Subordinated liabilities		6.906	
Other financial liabilities	190.030	221.511	
Financial liabilities associated with transferred assets	250.039		30
Derivatives - hedge accounting	19.524	47.263	22
Fair value changes of the hedged items in a portfolio hedge of interest rate risk			
Provisions	100.557	234.205	31
Tax liabilities	36.483	26.016	
Current tax liabilities	24.317	22.143	16
Deferred tax liabilities	12.167	3.873	
Other liabilities	58.526	57.120	32
Liabilities included in disposal groups classified as held for sale			
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	**27.968.534**	**29.236.532**	

Table CBS.2

Consolidated Balance Sheet - Equity in '000 EUR	2021.12	2020.12	Annexes
Share capital	636.318	636.318	
Paid in capital	636.318	636.318	
Called up share capital			
Share premium			
Other Equity	90.000	90.000	
Equity component of combined financial instruments	90.000	90.000	
Other			
Non-realised results	-29.016	-30.475	
Items that will not be reclassified to profit and loss	-31.157	-37.968	
Tangible fixed assets			
Intangible fixed assets			
Actuarial gains/losses relating to defined benefit plans	-24.981	-33.443	
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	63	51	
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	-6.240	-4.576	
Items that may be reclassified to profit and loss	2.142	7.493	
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	2.142	7.493	
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)	522.746	460.319	
<Treasury shares>			
Income from current year	92.673	65.627	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	**1.312.722**	**1.221.789**	35
TOTAL LIABILITIES AND EQUITY	**29.281.256**	**30.458.321**	

Table CBS.3

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

2021-12	Gross value	Impact on taxes	net value
Eindbalans (vorig jaar)	10.042	-2.498	7.544
Investment brought in prior accounting periods			
Transfer to P&L following sale	-754	188	-566
Transfer to P&L following impairment write back following recovery in value			
Transfer to P&L following increase in impairment accounted in the accounting period			
Transfers to P&L following changes in premium/discount	6.865	-1.716	5.149
Foreign exchange impact	1		1
Adjustments in the current accounting period	-13.236	3.312	-9.923
Investments bought in the current accounting period			
Adjustements in the current accounting period			
Closing balance	2.918	-714	2.205

Table CBS.4

2020-12	Gross value	Impact on taxes	net value
Openingsbalans (lopend 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			
Transfer to P&L following increase in impairment accounted in the accounting period			
Transfers to P&L following changes in premium/discount	13.840	-3.460	10.380
Foreign exchange impact	-1		-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.5

Consolidated Statement of Changes in Equity

Sources of equity changes 2021.12 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	0	0	0	7.544	-33.443	-4.576	0	460.319	65.627	1.221.789
changes in capital												
issuance												
profit (loss)											92.673	92.673
Dividends declared and other remunerations										-3.200		-3.200
Change in fair value of financial assets at fair value through other comprehensive income						-5.339						-5.339
changes in fair value							8.462	-1.664				6.799
cash flow hedges												
releases to retained earnings										65.627	-65.627	
capital reduction												
other			0									
Closing balance	636.318	90.000	0	0	0	2.205	-24.981	-6.240	0	522.746	92.673	1.312.722

Table CSCE.2

* of which 92.7 million EUR attributable to the shareholders of the parent company

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												
issuance												
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												
releases to retained earnings										49.624	-49.624	
capital reduction												
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

Consolidated Cash Flow Statement

OPERATING ACTIVITIES	2021.12 in '000 EUR	2020.12 in '000 EUR
Net profit (loss)	92.673	65.627
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	54.257	51.901
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	35.530	21.277
Unrealised foreign currency gains and losses		
FV through P&L	18.727	30.624
INVESTING AND FINANCING	-4.642	18.755
Depreciation	5.648	10.492
Impairment	325	24.802
Provisions net	-10.615	-16.539
Other adjustments	3.478	-4.014
Cash flows from operating profits before changes in operating assets and liabilities	145.766	132.269
Decrease (increase) in working capital (excl. cash & cash equivalents):	-2.067.644	2.592.026
Decrease (increase) in operating assets (excl. cash & cash equivalents):	-1.361.473	1.192.031
Decrease (increase) in balances with central banks		
Decrease (increase) in financial assets at amortised cost	-1.767.542	-446.152
Decrease (increase) in financial assets at fair value through other comprehensive income	322.523	976.201
Decrease (increase) in financial assets held for trading	17.658	680.784
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	-995	8.009
Decrease (increase) in other assets (definition balance sheet)	66.883	-26.811
OPERATING ACTIVITIES	2021.12 in '000 EUR	2020.12 in '000 EUR
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	-706.171	1.399.995
Increase (decrease) in deposits from credit institutions and central banks	-1.227.491	941.550
Increase (decrease) in deposits (other than credit institutions)	963.219	837.291
Increase (decrease) in debt certificates (including bonds)	-646.503	1.618.651
Increase (decrease) in financial liabilities held for trading	-40.023	-383.748
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-148.026	-266.974
Increase (decrease) in liability-derivatives, hedge accounting	515.528	-235.511
Increase (decrease) in other financial liabilities	-31.481	-1.148.302
Increase (decrease) in other liabilities (definition balance sheet)	-91.395	37.038
	-1.921.879	2.724.296
Income taxes (paid) refunded	-19.764	-14.254
Net cash flow from operating activities	-1.941.642	2.710.042

INVESTING ACTIVITIES	2021.12 in '000 EUR	2020.12 in '000 EUR
(Cash payments to acquire tangible assets)	-3.002	-2.959
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-1.991	-6.394
Net cash flow from investing activities	**-4.993**	**-9.353**

FINANCING ACTIVITIES	2021.12 in '000 EUR	2020.12 in '000 EUR
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-6.906	-11.526
Cash proceeds from issuing shares or other equity instruments		
Net cash flow from financing activities	**-6.906**	**-11.526**
Effect of exchange rate changes on cash and cash equivalents		

	2021.12 in '000 EUR	2020.12 in '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-1.953.541**	**2.689.162**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**3.737.888**	**1.048.726**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1.784.347**	**3.737.888**
Components of cash and cash equivalents:		
On hand (cash)	47.061	58.739
Cash and balances with central banks	1.672.385	3.607.585
Financial assets at amortised cost	64.901	71.564
Financial assets at fair value through other comprehensive income		
Total cash and cash equivalents at end of the period	**1.784.347**	**3.737.888**
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	600.963	1.193.121
Dividend income received	19	345
Interest expense paid	310.851	920.320

Cash and cash equivalents decreased by 1,954 million EUR in 2021, mainly due to a decrease in cash and balances with central banks (-1,935.2 million EUR). In addition, we also see a decrease in cash (-11.7 million EUR) and financial assets at amortized cost (nostro accounts) (- 6.7 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 negative impact on the net cash and cash equivalents of 1,942.6 million EUR. The cash flows from operating profits increased by 145.8 million EUR. Cash flows resulting from the asset and liability changes (working capital) decreased by a total of 2,067.6 million EUR.

- Operating assets increased by 1,361.5 million EUR, leading to a decrease in cash flows:
  - the increase in financial assets at amortised cost (+ 1,767.5 million EUR) was mainly driven by the increase in credit production (+ 1,805 million EUR);
  - the decrease in financial assets at fair value through other comprehensive income (OCI) (- 322.5 million EUR), mainly explained by bonds maturing;.
  - the decrease in financial assets held for trading (- 17.7 million EUR) is mainly due to a decrease in derivatives transactions concluded in the context of the EMTN activity;
  - the decrease of other assets by 66.9 million EUR should be considered together with the decrease of the other liabilities by 91.4 million EUR.
- operating liabilities decreased with 706.2 million EUR which led to a decrease in cashflows mainly due to:

- decline of deposits of credit institutions and central banks by 1,227.5 million EUR. This decline is caused on the one hand by a rise of 250 million EUR in repurchase transactions compensated on the other by a decline of 1,477 million EUR in refunding operations with the ECB (so-called TLTRO and PELTRO series).
- decrease in debt certificates by 646.5 million EUR relates for 482 million EUR to the decrease in credit bonds and for 164 million EUR to the decrease in the outstanding amount in "covered bonds".
- decrease of financial liabilities held for trading by 40.0 million EUR which relate to the Swaps and Swaptions portfolio.
- decrease of financial liabilities designated at fair value through profit or loss by 148.0 million EUR is largely the consequence of EMTNs that have matured or repurchased and settled.
- decrease of the other financial liabilities by 31.5 million EUR.

These decreases were partly compensated by:

- an increase in deposits from institutions other than credit institutions or central banks of 963.2 million EUR.
- the increase because of hedge activities (both on assets and liability elements) of 515.5 million EUR.

Investments resulted in a further decrease of cash and cash equivalents of –5.0 million EUR, mainly due to further investments in buildings (+3.0 million EUR) and IT-projects (+2.0 million EUR).

The financing activities resulted in a decrease of cash and cash equivalents of –6.9 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 1070 Brussels, Sylvain Dupuislaan 251 was a subsidiary 100% owned by CrelanCo.

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 subsidiary Beran NV is not included in the scope of consolidation, 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 the sixth Belgian banks assessed by assets (30 billion euro, of which 24 billion euro in loans to clients). It offers a range of bank products for both private and professional customers. These are largely loans, investment solutions, current bank transactions and securities accounts.
On 1 January 2021, the bank employed 825 staff and distributed its products to 860,000 customers via a network of 400 independent bank agencies spread over Belgium.

Since 31 December 2021, AXA Bank Belgium is part of the Crelan Group.
With the acquisition of AXA Bank Belgium, the Crelan Group assumes an important position in the Belgian banking landscape.
By bundling their forces, Crelan and AXA Bank Belgium can better respond to the strongly changing financial world with an ever-faster digitisation and additional investments. During the coming 27 months, both banks will be preparing a merger in order, subsequently, to continue all bank activities under the Crelan logo. Until then, both brands shall continue to exist alongside each other. For customers, nothing changes in the short term.

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 Crelan Group

Regarding business combinations with other entities of the Crelan 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):
    - o an absolute threshold: overdue credit amount > €100
    - o 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 2021 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 2021 are unchanged compared to last year.

3.2 Application Dates

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

Standards, Amendments to Standards, Interpretations and Amendments to Interpretations that have been published, accepted within the European Union and for the first time applicable on 1 January 2021

- 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.

  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.
  As foreseen, the EONIA contracts going through the central clearer LCH were adjusted to the €ster reference interest rate in October 2021. The necessary adjustments were also made to the bilateral contracts in the course of the last quarter of 2021. For more information, please refer to the section 'Reform with regard to reference interest rates (so-called IBOR or RFR reform)' under point 22 'Derivatives'.

- 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. It should be noted that the aforementioned amendment to IFRS 16 did not allow the practical expedient contained herein to be applied to rental concessions relating to rental payments that are due both before and after June 30, 2021.

As a result, on March 31, 2021, the IASB issued "Amendment to IFRS 16 Leases: Rental Concessions related to COVID-19 after June 30, 2021 (effective for annual periods beginning April 1, 2021). The amendment extended the application of this practical expedient to include rental concessions in respect of rental payments originally due on or before June 30, 2022, provided that the other conditions for application of the Practical Measure are met. No impact for AXA Bank Belgium given no rent concessions were given or received.

- 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).

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:

- 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.

  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 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.

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.

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.

In May 2021 the Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences (effective on or after 1 January 2023, earlier application is permitted). AXA Bank Belgium makes today however no use of this recognition exemption

Amendment to IFRS 17 regarding the Initial Application of IFRS 17 and IFRS 9 - Comparative information. For some entities, the differing transition requirements of IFRS 17 and IFRS 9 could lead to significant accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of the two Standards. The IASB therefore amended IFRS 17 to enable entities to reduce those mismatches. AXA Bank Belgium however having no insurance activity is not impacted by IFRS 17

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. During 2021, the COVID-19 crisis continued to unfold. Restrictions that were put in place by the government at the end of 2020 continued in the beginning of 2021. In the course of 2021, the vaccination program started which made less stringent COVID-19 measures imposed by the Belgian government possible. Resulting in a rebound of the economy as from the second quarter of 2021. With the set of support measures installed in 2020 by the Belgian government that continued in 2021 (see section 4.1.1.2), credit losses caused by the pandemic for banks were limited. Next to the governmental measures, AXA Bank Belgium's management has taken multiple actions to steer the bank during this crisis and to make sure that follow-up of the COVID-19 impact on the bank was incorporated in the business as usual as from 2021 as explained in 4.1.1.1.

4.1.1.1 Internal governance

AXA Bank Belgium's management took multiple actions in 2020 to steer the bank during the fast-evolving crisis. This included:

- The activation of AXA Bank Belgium's Crisis Management Team (CMT) which delt with the operational component of the crisis.
- A joint task force reporting to the Chief Credit Officer (CCO) and Chief Risk Officer (CRO) was installed to govern all credit risk action regarding the COVID-19 crisis.
- As from March 13 of 2020, the majority of AXA Bank Belgium's staff was on homework effective immediately.
- AXA Bank Belgium has also put in place a financial risk cockpit meeting to discuss the evolution of the crisis during the first weeks and months of the crisis. The cockpit was active until mid-July 2020 when the crisis became more stable.
- 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).

As the COVID-19 pandemic continued in 2021, this was incorporated in the business as usual of the bank. The impact on AXA Bank Belgium was followed-up in the Risk Committee via the existing COVID-19 dashboard. This includes a COVID-19 status update and a follow-up of the credit portfolio of the bank. The Risk Committee met 7 times in 2021, of which 2 times on an ad-hoc basis.

During this pandemic, 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.

From an operational point of view, AXA Bank Belgium successfully transferred in 2020 to a full telework regime under COVID-19. As from September 2021, AXA Bank Belgium changed its teleworking policy. The aim was to combine the good experiences of teleworking during COVID-19 together with the advantages of working at the office. This resulted in the 'smart working' agreement concluded by employer and employee representatives, that entails that the bank's staff can decide how many days they work from home and in the office, with the requirement that it must be in line with the team agreements. With this new agreement, the office should primarily be a location to meet colleagues. This is still conditional on the evolution of the COVID-19 crisis and the governmental restrictions.

From a financial risk point of view, the crisis boiled down to a credit risk event. AXA Bank Belgium's quality of the credit portfolio remains high so far. No material evolution in monthly delinquency rates can be seen yet. Given the remaining macro-economic uncertainties triggered by COVID-19 expected credit losses are still higher compared to pre-COVID-19 situation in line with IFRS9 accounting standards. However, these expected credit losses still remain 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 (e.g., loans that asked for a moratorium, professional clients more vulnerable in a context of COVID-19) to further quantify and mitigate risks. 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.

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.

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 in 2020 and 2021 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 financial impact of these governmental measures on AXA Bank Belgium.

In 2021, the Belgian government made the following payment deferrals (moratorium) for mortgage and professional possible:

- As of January 2021, the second Charter for business and mortgage credit deferral entered into effect. This entailed that mortgage and professional clients could request further payment deferral with the condition that the combined deferrals granted under the first two Charters didn't exceed 9 months. The second Charter could be requested as from December 2020 until end of March 2021. The payment deferral of this Charter was limited to a maximum of 3 months. For mortgage loans, a distinction was 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) was possible.
- In February 2021, a third Charter of payment deferrals towards professional clients was announced. This Charter was only applicable for professional clients that reached the maximum maturity of nine months payment deferral under the first two Charters. These clients could request further capital suspension until end of June 2021.

Next to the moratorium for mortgage and professional loans, the Belgian government also made a moratorium for consumer loans possible in the first half of 2021. This had a non-material impact on AXA Bank Belgium.

During the moratorium and in line with regulatory guidance, days past due counting stopped and hence there was no need to mention credits to the credit bureau. Additionally, in line with regulatory guidance, per December 31st 2020, loans under the moratorium were not automatically flagged as forborne. In addition, temporary liquidity issues due to COVID-19 were not a reason to put loans in stage 2 under IFRS 9. A detailed analysis on these topics was done internally and was used as the basis of a segmentation of clients regarding IFRS9 staging and UTP see section 4.4.1.1.1.2.

Next to the extension of payment deferrals, the Belgian government also wanted to further 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 second support package of € 10 billion bridge loans which could only be used for new loans and credit lines granted by banks (not valid for refinancing loans).
The second payment scheme contains loans with a maximum joint principal of € 10 billion. Similar to the first payment guarantee scheme, each Belgian bank had to take an equal share to their current share of outstanding professional loans. Granting of loans under state guarantee type II was possible until 31st December 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.

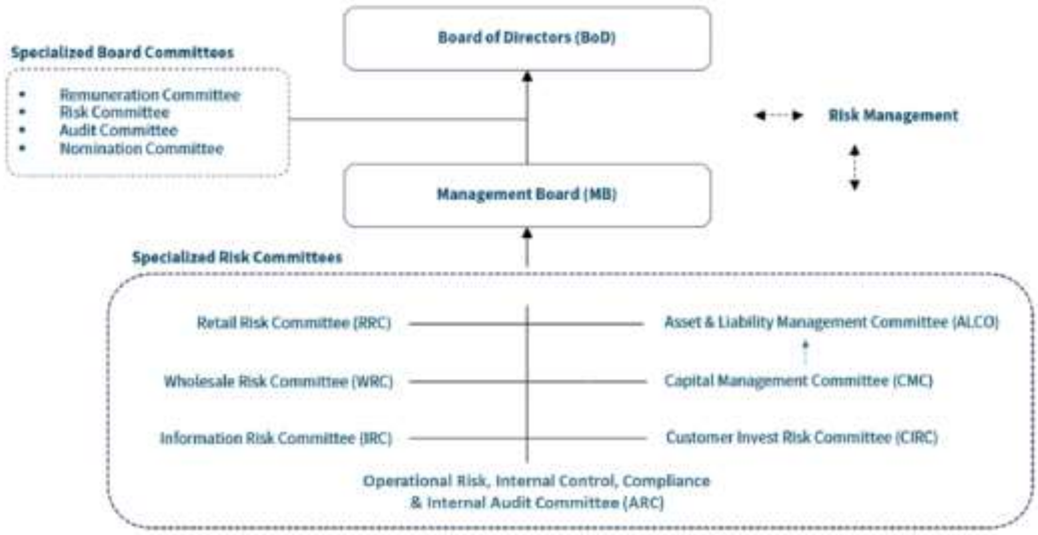
4.1.2 Risk Management framework

In the exceptional conditions of 2021, 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.

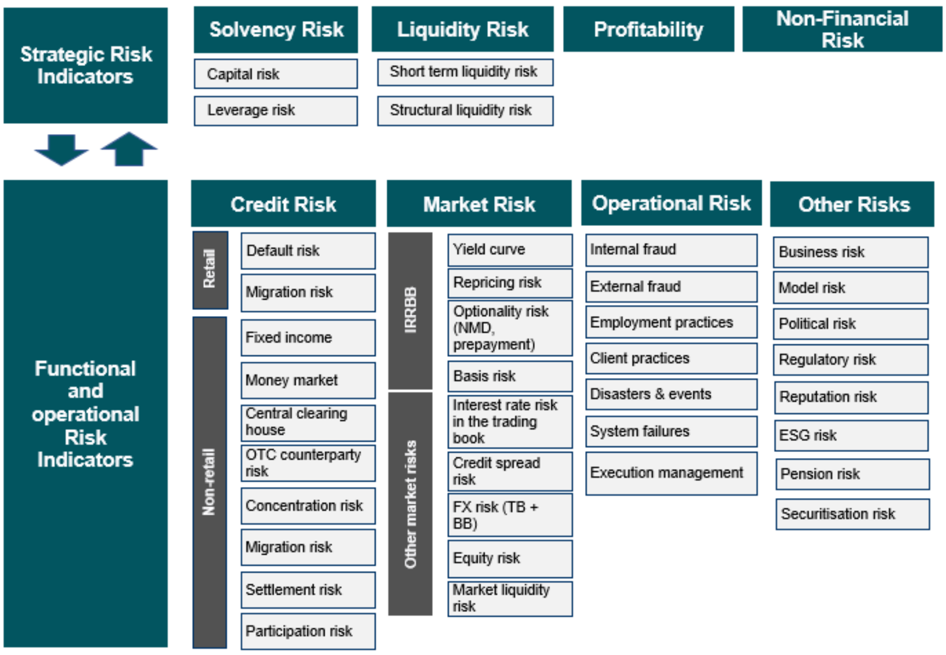
Risk governance structure

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 for 2021. 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 was used by this management body and the Management Board as a central tool for managing the risks of AXA Bank Belgium in 2021.

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 view 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.

In addition to internal stress testing, the regulator performs annual stress tests exercises as well. In 2021, AXA Bank Belgium participated in the ECB SREP Stress test, with a focus on the impact of stress scenarios on AXA Bank Belgium's solvency ratios.

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 2021 with a further continuation planned in 2022. 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 2021, 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.

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 risk. 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 several 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 considering its risk profile and its organisation.

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 entered 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 are imposed in accordance with CRD IV.

The CRD IV provides for a capital conservation buffer. In times of an economic boom, this can be up to 2.5%. The premise is to reserve additional capital in times of financial prosperity. In times of financial stress, the institution will be able to use this capital. The condition is then that the institution may not pay out a dividend to shareholders. This buffer phased in during 2019 and remained stable in 2021 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 of 0.5% for Belgium was postponed, consequently at the moment 0 % countercyclical buffer rate for Belgium is applicable.

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%.

[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.

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)	31/12/2021	31/12/2020
Paid up capital	636,318	636,318
Reserves (including retained earnings)	522,746	460,319
Result of the current year	92,673	65,627
Other reserves	0	0
Accumulated other comprehensive income	(29,016)	(30,475)
ACCOUNTING COMMON EQUITY TIER 1 CAPITAL	**1,222,722**	**1,131,789**
Prudential filters	5,541	3,626
Value adjustment of own credit risk	*5,914*	*3,953*
Value adjustment of prudent valuation	*(373)*	*(327)*
Deductions of Common Equity Tier 1 capital	(36,064)	(33,247)
Regulatory adjustments accumulated other comprehensive income	0	*0*
Intangible assets	*(12,039)*	*(9,863)*
Deferred tax assets that rely on future profitability	*0*	*0*
Other deductions	*(16,192)*	*(10,826)*
Securitization	*(2,825)*	*(3,306)*
IRB provision shortfall	*(5,008)*	*(9,252)*
USEFUL CAPITAL COMMON EQUITY TIER 1 (CET1)	**1,192,199**	**1,102,168**

The CET1 amounts to € 1,192 million in 2021 versus € 1,102 million in 2020. This increase in CET1 is caused by the inclusion of the consolidated net profit from 2021 of € 92.7 million in the core Tier 1 capital. This strengthens the equity of AXA Bank Belgium.

The total own funds for solvency requirements include:

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

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS (in '000 EUR)	31/12/2021	31/12/2020
CET1	1,192,199	1,102,168
Additional Tier 1 capital	90,000	90,000
TIER 1	1,282,199	1,192,168
TIER 2	0	943
Subordinated debts	0	176
Perpetual subordinated debts	0	767
Perpetuals	*0*	*2,558*
Perpetuals phase out	*0*	*(1,791)*
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	**1,282,199**	**1,193,111**

The total own funds evolved from € 1,193 million in 2020 to € 1,282 million in 2021.

At the end of 2021 AXA Bank Belgium does not have T2 capital anymore. The subordinated debt has reached maturity and the perpetuals have been fully phased out.

4.2.4 Regulatory Capital Requirements

The regulatory capital 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. As from Q4 2021, AXA Bank Belgium switched from the BIA ('Basic Indicator Approach') to the TSA ('Standardised Approach') to calculate the operational risk requirements. The Internal Rating Based Approach (IRB) is only applied for the Belgian retail activity.

The RWA for AXA Bank Belgium under the Basel III rules amounted to € 5,949 million on December 2021 coming from € 5,995 million at the end of 2020. This € 47 million decrease in RWA is mainly driven by a decrease of € 147 million RWA for operational risk. The operational risk information is updated once a year. On Q4 2020 it was calculated using the Basic Indicator Approach which led to Own Funds requirement of € 55.9 million and a corresponding RWA level of € 699 million. End 2021 AXA Bank Belgium moved to the Standardized Approach (TSA) for the calculation of operational risk capital requirements. This results in an Own Funds requirement of € 44.2 million with a corresponding RWA level of € 551.9 million. While operational risk has driven the RWA downwards, credit risk RWA increased with € 105 million in 2021. The credit risk RWA increase is mainly results from the retail portfolio growth of 6.9% in 2021.

RISK EXPOSURE AMOUNTS (in '000 EUR)	31/12/2021	31/12/2020
Risk weighted exposure amounts for credit risk	5,365,770	5,259,831
Risk exposure amount for market risk	16,014	17,516
Risk exposure amount for operational risk	551,927	699,118
Risk exposure amount for credit valuation adjustment	14,915	18,758
TOTAL RISK EXPOSURE AMOUNTS	**5,948,625**	**5,995,224**

All Belgian banks using IRB models are subject to two macro-economic add-ons applicable on all Belgian residential mortgage loans. The first RWA add-on[4], applicable as of December 2013, is calculated as 5% of the IRB residential mortgage exposure. The second add-on, imposed as of June 2018, equals 33% of the IRB RWA of mortgage loans covered by residential real estate in Belgium. Both add-ons are represented in the total RWA for credit risk.

4.2.5 Securitisation – Significant Risk Transfer

In Q4 2020, AXA Bank Belgium has 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). 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 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 € 2.8 million in Q4 2021 compared to € 3.3 million in Q4 2020. The computed deduction value is directly deducted from CET1 capital.

As the first loss tranche is fully deducted from CET1 capital, only the retained senior tranche needs to be risk weighted. The RWA of the retained senior tranche amounts to € 73.8 million at the end of Q4 2021 compared to € 92.6 million in Q4 2020. This senior tranche RWA is measured according to SEC-IRBA method as all underlying credits are IRB exposures. Adjustments are made for maturity mismatches between the credit protection and the underlying exposures, and the Senior tranche risk weight is capped at the weighted-average risk weight that would be applicable to the underlying exposures had they not been securitised. The final risk weight of the senior tranche equals 15% which corresponds with the risk weight floor applicable under the securitisation framework.

Finally, the securitisation of the underlying mortgage portfolio has led to RWA relief amount of € 154 million in Q4 2021 compared to € 283 million in Q4 2020, which is a result of the risk transfer that took place with the transaction. The decrease in RWA relief assigned to

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

the SRT is caused by 2 components. Firstly, the decline is the result of the natural amortization of the SRT portfolio. Secondly, a decrease in RWA took place because of a revision of IRB models and therefore lowering the RWA relief as a result of the SRT.

4.2.6 Capital Ratios

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

Capital Ratios	31/12/2021	31/12/2020
Transitional definition		
Common Equity Tier 1 ratio	20.04%	18.38%
Tier 1 ratio	21.55%	19.89%
Capital ratio	21.55%	19.90%
Fully phased-in definition		
Common Equity Tier 1 ratio	20.04%	18.38%
Tier 1 ratio	21.55%	19.89%
Capital ratio	21.55%	19.90%

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

AXA Bank Belgium shows solid solvency ratios at the end of 2021. The increased solvency ratios are largely explained by the net profit of 2021 that was fully included in capital (see section 4.2.3) and decrease of RWA (see section 4.2.4). As per 31 December 2021, AXA Bank Belgium's Tier 1 ratio stands at 21.55% (19.89% in 2020) and total capital ratio at 21.55% (19.90% in 2020).

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.

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. As from Q4 2021, Operational risk regulatory capital requirements are measured via the Standardised Approach (TSA) instead of using the Basic indicator Approach (BIA) see section 4.6.1.1.

	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	TSA
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.

The AXA Bank Belgium's leverage ratio according to current CRR legislation (‘Delegated Act’) has increased in 2021 to a level of 4.51 % at the end of December 2021 (3.86% in 2020). The Leverage ratio increase in 2021 is explained by the higher Tier 1 capital as discussed in 4.2.3 and the downwards evolution of the reported leverage exposure. The reported leverage exposure decreased by € 2.5 billion during 2021 to a level of € 28.4 billion at the end of 2021 of which € 1.7 billion is explained by the exclusion of exposures to central banks on 31/12/21 (whereas these exposures were included on 31/12/20). This measure contains that euro area banks may temporary exclude certain central bank exposures from their leverage ratio exposure, this is applicable from September 2020 until March 2022. Without this measure the Leverage ratio per 31/12/2021 is 4.26%.
The remaining € -0.8 billion is mainly explained by less cash (€ -2 billion) and less significant revaluation of the fair value hedged mortgage loans portfolio (€ -0.5 billion) partially compensated by higher loans and receivables (€ 1.8 billion). It should be noted that the decrease in cash is largely compensated by € 1.5 billion borrowed highly liquid bonds.

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

Leverage ratio	31/12/2021	31/12/2020
Transitional definition	4.51%	3.86%
Fully phased-in definition	4.51%	3.86%

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 since 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	31/12/2021	Limit	Buffer
Internal Liquidity Stress Indicator	1,840,236	500,000	1,340,236

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) became 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.

4.3.2 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 2021 (100% limit) thanks to a comfortable stock of liquid assets and a solid financing structure.

Ratio	31/12/2021	31/12/2020	Limit
LCR	186%	197%	100%
NSFR	132%	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 (€ 19.7 billion on 31 December of 2021) and covered bonds (€ 5.5 billion on 31 December 2021). AXA Bank Belgium also participated to the long-term refinancing operations of the ECB in the form of PELTRO and TLTRO funding for € 1.1 billion on 31 December 2021. . This funding is received by pledging both retained covered bonds and credit claims as collateral at the ECB. More detail can be found in the table below.

Maturity Analysis

Date as of 31/12/2021 (in '000 EUR)	< 6 months	6-12 months	> 12 months	Total
Central Bank financing	200,392	-	896,770	1,097,162
Loans from financial customers	974,839	999,988	51,338	2,026,165
Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP)	124,338	-	-	124,338
Repurchase Agreements	750,008	999,988	-	1,749,996
Secured loans	100,492	-	51,338	151,830
Retail funding	18,917,160	97,726	710,405	19,725,292
Non maturing retail funding (savings and current accounts)	18,786,806	-	-	18,786,806
Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	130,354	97,726	710,405	938,486
AXA Group Financing	95,314	76,406	144,999	316,720
EMTN	95,314	76,406	144,999	316,720
Other counterparties	1,369,259	4,461	4,545,195	5,918,916
Unsecured funding from non-financial customers	368,355	4,461	7,941	380,757
Covered bonds	1,000,904	-	4,537,254	5,538,159
Total	**21,556,965**	**1,178,581**	**6,348,707**	**29,084,253**

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. Although not yet applied, the set up also allows 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 € 8.75 billion in 2021of which € 5.5 billion remains on a consolidated level: € 5.5 billion are placed in the market, and € 3.25 billion of these covered bonds are retained by AXA Bank Belgium (used in secured 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 risk of loss associated with a retail obligor's incapacity to fully meet contractually agreed financial obligations due to its default. In view of AXA Bank Belgium's strategy this narrow definition of credit risk is considered the main risk.

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

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 individuals (e.g., temporary unemployment scheme). The government in cooperation with the financial sector has also installed 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 in 2020 nor in 2021. Additional measures were 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 2021

As from April 2020, Belgian banks provide payment deferrals to individual and business clients that are affected by the COVID-19 crisis. As explained in 4.1.1.2, two new Charters were introduced in 2021. These two Charters were more restrictive than the first Charter which was in place during 2020. One included a limitation in the length of the total payment deferrals, the other was limited in scope as it was only applicable for professional clients. This resulted in a lower number of payment deferrals granted in 2021 compared to 2020. All payment deferrals granted due to COVID-19 in 2020 and 2021 were expired at the end of 2021, the clients have picked up their monthly instalments.

The table underneath compares the payment deferrals that were granted in 2020 and 2021 by AXA Bank Belgium split by product type:

	2020		2021	
(in '000 EUR)	number of obligors	exposure	number of obligors	exposure
Mortgage Loans	14,567	1,687,855	1,102	130,690
Professional Loans	3,968	391,878	365	41,218
Consumer Loans	174	2,961	27	747
Total	18,709	2,082,694	1,494	172,655

Next to the payment deferrals, AXA Bank Belgium also provided credit facilities to their professional clients partially covered by a state guarantee. There were 2 different payment guarantee schemes installed after the outbreak of the COVID-19 crisis. At the end of December 2021, AXA Bank Belgium has 268 active loans under the state guarantee for an exposure of € 10.7 million of which 26 (€ 0.2 million) type I and 242 (€ 10.5 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.

Gross carrying amount (in '000 EUR)	31/12/2020	31/12/2021
Active loans and advances subject to public guarantee schemes	14,536	10,714
Self-employed	1,296	971
of which: State guarantee I	1,192	15
of which: State guarantee II	103	956
SMEs	13,241	9,743
of which: State guarantee I	8,575	220
of which: State guarantee II	4,665	9,523

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

As a consequence of the first Belgian moratorium Charter, AXA Bank Belgium introduced in 2020 new criteria for the Stage 2 classification. Those criteria complemented the ones already in place by taking into account features of loans with payment deferrals. These loans have limited or no payment to make during a certain period of time. This might bias the Stage classification as some criteria rely upon payment behaviour. In the same way, the internal credit rating is relying on payment behaviour information and the results of the underlying model might be biased accordingly. Therefore, AXA Bank Belgium complemented the Stage classification as well as the internal rating determination with information about the behaviour on current accounts of AXA Bank Belgium clients. Additionally, AXA Bank Belgium acquired external information on its professional clients in order to complete its internal data. This external information allowed the resistance of those clients to the crisis to be further assessed. It was used to refine the Stage 2 criteria. Professional clients that showed low resistance to the crisis were considered as encountering a significant increase in credit risk. In the same way, a request for extension of the moratorium was considered as an increase in credit risk.

In 2021, those COVID-19 related criteria were consistently applied on the moratoria loans. However, with loans exiting moratoria and resuming the payment of full instalments, a phasing out was implemented. This phasing out consisted of resuming the Stage classification by fully relying upon the non-COVID-19 criteria 9 months after the end of the moratoria. This period was considered as sufficient for those criteria to be applied without any bias. It resulted in an outflow of Stage 2 as most of the moratorium loans resumes payments in 2021 without delays.

Similarly, a default recognition exercise was performed in 2020 and 2021 on the riskiest loans of the moratorium, i.e. on the clients requesting an extension of their current payments deferrals. The analysis consisted of an individual assessment of the financial difficulties faced by those clients and the most fragile were considered as Unlikely To Pay (UTP). This exercise increased the stock of Stage 3 loans at the end of 2020, as well as punctually in 2021. AXA Bank Belgium also installed a phasing out of the COVID-19 manual UTP status in the course of 2021. After the end of their payment deferrals, individual analyses were performed to assess the credit worthiness of the clients, based a.o. on payment behaviours. Clients resuming their normal payments without encountering difficulties for several consecutive months were not considered anymore as UTP. This resulted in an outflow of Stage 3 as most of the manual UTP resumes payments without incidences.

4.4.1.1.1.3 Revision management overlay

AXA Bank Belgium ended the 2020 financial exercise with some management overlays on its expected credit loss figures. Those management overlays were deemed necessary due to the unprecedent nature of the COVID-19 crisis and its aftermaths. They were based on alternative methodology to forecast the effects of the macro-economic shock triggered by the COVID-19 crisis. Indeed, 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 this alternative forecasting methodology the internal IFRS9 models were challenged and based on this sensitivity analysis a management overlay on IFRS9 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.

In 2021, the alternative forecasting methodology was applied consistently until Q3 where parameters were updated following the evolution of both the portfolio and the macro-economic outlooks. This resulted in ceteris paribus stable provisions on the retail credit risk portfolio.

In parallel, AXA Bank Belgium developed new rating models for its most important portfolios, namely the mortgage and professional loans ones. The objective of these new developments was to refine the IFRS9 methodology based on the lessons learned in 2020, and to improve subsequently AXA Bank Belgium's risk estimates by embedding where possible management overlays. Those new models are using a wide variety of information of clients. This leads to an increase in model performance, including for loans affected by the moratorium. The implementation of those models occurred in Q4 2021. The impact is an increase in the exposure classified in Stage 2 as a result of the increasing discriminatory power of the new model. The use of the new models leads to a removal of the existing management overlay based on the alternative methodology. The net impact is a decrease in provisions, also as a result of better economic outlook compared to end 2020.

Note however that those new models – as well as the previous ones - are predicting historically low level of default rate for the upcoming years. These low levels a explained by the limited number of credits with delays observed in the year 2021. There remain however uncertainties on whether these portfolio improvements are structural or only due to conjunctural elements subsequent to the COVID-19 crisis (e.g., strong governmental support or consecutive lockdowns limiting spending). It has then been decided to adjust the PD outcome so that the level of predicted PD is in line with the pre-COVID-19 period. The necessity of those adjustments will be monitored throughout 2022 in light of the structural evolution of the quality of the portfolio.

In 2021, AXA Bank Belgium developed also a new methodology to include forecasts of house prices in the LGD of its collateralized loans. This new methodology is based on an empirical function relating forecasted house price evolution and LGD level. It results in a more intuitive and accurate effect of the macro-economic scenarios in the loss estimates, and subsequently the expected credit loss level. The related management overlay was then removed. The net impact is a decrease in provisions due to better economic outlook, especially regarding house price evolution in the upcoming years.

The models-related overlays have been removed. Though, in 2020, AXA Bank Belgium introduced a sectoral overlay overlay to cover expected loss among the most vulnerable professional clients of the sectors most hit by the COVID-19 crisis (i.e. the following sectors: beauty, events, horeca, public venues, sport, tourism and non-essential wholesale). The overlay was reviewed in different moments of 2021 and for the year end both a granular and general approaches were used. The granular approach consists of sensitivity analyses of the most vulnerable exposures to PD and LGD scenarios. The objective is to relate losses to plausible scenarios. The general approach consists in benchmarking the actual predicted level of loss on the total professional loans with observation in the past, including during crisis period. The combination of both analyses allows the current sectoral overlay to be put into perspective and take a decision on an appropriate level. Considering AXA Bank Belgium exposure to vulnerable sector, past observed losses and the systemic uncertainties of the consecutive COVID-19 wave (including the Omicron wave), it has been decided to increase the sectoral overlay from € 2.5 million to € 5 million.

4.4.1.1.1.4 Evolution of credit portfolio in 2021

Notwithstanding the COVID-19 crisis continued in 2021, the quality of AXA Bank Belgium's credit portfolio at the end of 2021 remains of a very high level. COVID-19 continued to have a very limited impact on the quality of the bank's credit portfolio during 2021 because of the intrinsic quality of the credit portfolio and the support of government measures. The impact is much more moderate than what was embedded in IFRS9 expected credit losses at the end of 2020. As the Belgian moratorium expired at the end of Q2 2021 and almost all clients picked-up their instalments after the moratorium, the level of past due loans recovered after the summer of 2021 to a historically low pre-COVID level. The table below gives an overview of the evolution of AXA Bank Belgium's credit portfolio in 2021 over the various IFRS 9 stages.

Exposure (€ mln)	31/12/2020	31/12/2021
Stage 1	23,583	25,706
Stage 2	2,268	2,436
Stage 3	358	291

In 2021 the NPL % decreased to 1.1% (1.4% in 2020) as the earlier flagged UTP COVID-19[5] credits have exited stage 3 after a 3-month probation period. This migration from non-performing to performing lowers the total RWA and expected loss levels as shown in the table below. The table below contains the ECL% including the management overlays.

Impairments (€ mln)	31/12/2020	31/12/2021
Stage 1 - loans	5.5	5.2
Stage 2 - loans	21.8	24.5
Stage 3 - loans	57.2	44.4
Stage 3 - advances	4.2	2.5
Total - Loans and advances	**88.7**	**76.6**
Stage 1 - commitments and financial guarantees given	1.1	1.1
Stage 2 - commitments and financial guarantees given	0.3	0.3
Stage 3 -commitments and financial guarantees given	0.3	0.1
Total - commitments and financial guarantees given	**1.6**	**1.5**
Total = table imp.7/imp.8 chapter 15	**90.4**	**78.1**

The table above is subject to rounding

Coverage ratio	31/12/2020	31/12/2021
Stage 1	0.03%	0.02%
Stage 2	0.97%	1.02%
Stage 3	17.25%	16.18%

Note that the coverage ratio for Stage 3 decreased in 2021 as a result of the removal of the overlays, better macro-economic outlooks regarding house price and globally an increased collateralization of defaulted loans.

For other details (e.g. breakdown by product), we refer to chapter 15 Impairment.

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

[5] Flagged UTP COVID-19 credits are credits that subject to the COVID-19 crisis have been assessed as 'unlikely to pay'. This assessment was made and implemented at the end of November 2020.

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 adjusted its RAF due to the COVID-19 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.

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*.

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 € 154 million in Q4 2021, which contributed to comfortable solvency ratios at the end of 2021 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 AXA Bank Belgium's 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.

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. As from 2022, the Wholesale Risk Committee will cede to exist and its responsibilities will be transferred to the Balance Sheet Risk Committee.

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 an internal method. In particular for derivatives and repos, this method represents a different and more risk sensitive view on the exposure as it is based on measuring the sensitivity of all positions per counterparty to market shocks. The exposure under this method is measured each month 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.

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 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. As from 2022, the Wholesale Risk Committee will cede to exist and its responsibilities will be transferred to the Balance Sheet Risk Committee.

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 IFRS9 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 IFRS9 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 2021 (+7.2%) 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 2020 were characterised by a more moderate level of refinancing and in 2021 this moderate level is maintained.

For the consumer loan portfolio, we noticed an increase in 2021 (+3.0%). 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 2020 the portfolio increased significantly, for 2021 the evolution was 10.2%. 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.

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 2021 the default rates decreased significantly after the COVID-19 UTP classification initiation in 2020 as mentioned in 4.4.1.1.1.2. Compared with the default rates before COVID-19, the same level or lower is observed by the end of 2021.
The 2021 evolution of the 12M default rate is described underneath:

- The 12M default rate for mortgage loans was 0.75% in December 2019. This increased significantly by the end December 2020 to 1.02% due to the COVID-19 UTP classification. By the end of 2021 with a 12M default rate of 0.56%, AXA Bank Belgium's mortgage loans portfolio showed an improvement as compared with the 0.75% default rate level from December 2019.
- The 12M default rate for loans to professionals and small businesses observed in December 2019 was 1.79% in December 2019. This increased significantly by the end December 2020 to 2.42% due to the COVID-19 UTP classification. By the end of 2021 with a 12M default rate of 1.55%, AXA Bank Belgium's professional and small businesses portfolio showed an improvement as compared with the 1.79% default rate level from December 2019.
- For consumer loans a significant decrease in default rate was observed from 2.07% in December 2020 to 1.34% in December 2021. This demonstrates that AXA Bank Belgium has a prudent credit risk intake for this product type.

The credit losses amounted to a total of - € 5.2 million in 2021, compared to € 16.7 million in 2020. This decrease in credit loss is explained by the revision of the loss estimates for stage 3 loans due to favourable conditions as increasing real estate prices and supporting government actions. Together with the strong and healthy credit portfolio within AXA Bank Belgium and the low impact of COVID-19 within the credit loss observations. Mind that the stock of existing non-performing loans still shows a positive evolution compared to the current provisioning levels.

Underneath the 3 IFRS9 stages are discussed:
See chapter 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[6] database)
  - Forbearance measures on credit
  - Current PD rating in bucket 9[7]
  - 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[8] 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. Since Q1 2020 the definition of default was adapted to become completely in line with the EBA definition of default. This change in definition of default resulted in some performing credits that became non-performing 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).

When a client/facility becomes non-performing, an impairment loss should be recognized. 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.

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 2021. This corresponds to credits having experienced a significant increase in credit risk.

Split by Internal Rating

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

[7] This is not applied to newly originated loans in the first 6 months after origination

[8] Point-in-time.

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	2,503.57	365.99	
Internal rating 5 to 6	2,109.23	2,631.24	
Internal rating 7 to 9	1,638.05	21,767.84	
Internal rating 10			44,492.42

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 2021 are secured between 50% and 100% of the total credit outstanding.

Coverage of Credit Impaired Financial Assets

Collateral	000 EUR / %
Credit-impaired financial assets	291,589
Up to 50% covered by collateral	16%
From 50 to 100% covered by collateral	84%

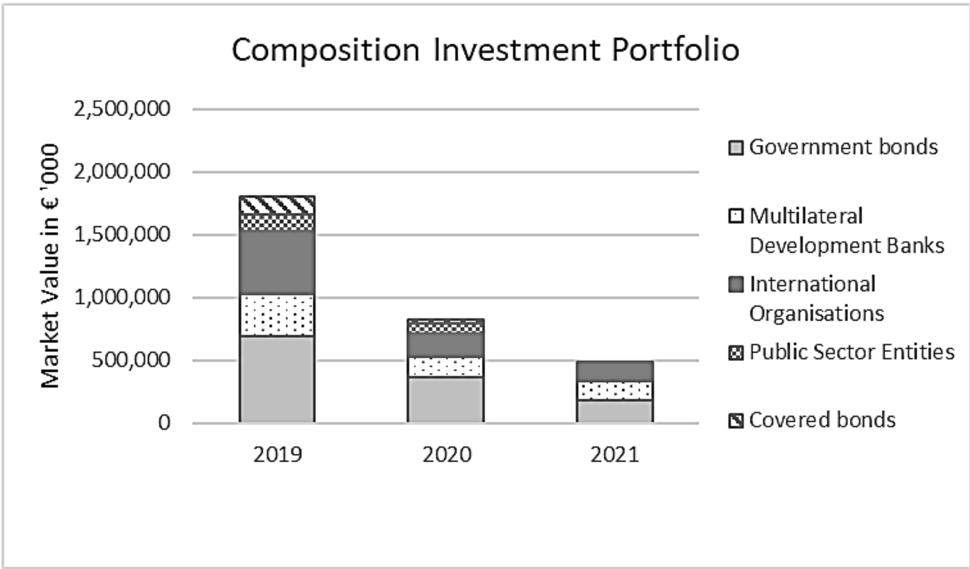
4.4.2.2 Non-retail Credit Risk

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. Unless specified otherwise, exposures refer to those computed in accordance with the latter.

4.4.2.2.1 Investment Portfolio

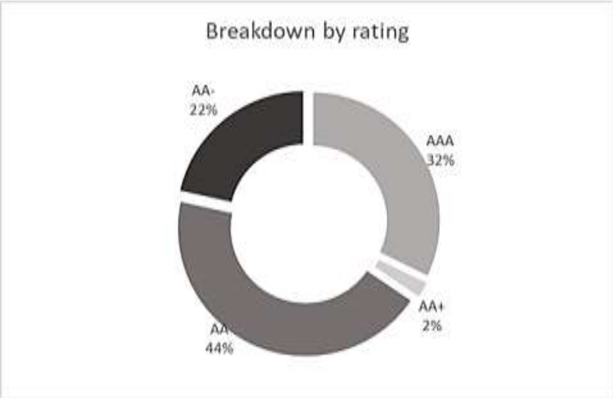
The market value of the investment portfolio dropped further, from € 0.8 billion at the end of 2020 to € 0.5 billion in December 2021 due to bond maturities.

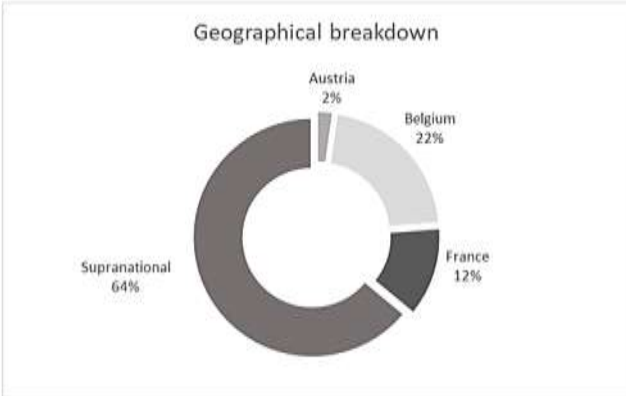
The investment portfolio of AXA Bank Belgium mainly consists of high-quality government bonds (36%) and supra-national bonds (64%). The next graph illustrates the exposures in AXA Bank Belgium's investment portfolio.



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 regularly trades repurchase agreements in which its own-issued covered bond is exchanged for cash or an LCR-eligible asset. As own-issued covered bonds are not included in the liquidity buffer of the Liquidity Coverage Ratio, this type of repurchase agreements has a positive impact on the LCR (see section 4.3 Liquidity Risk). To measure the counterparty credit risk on repos, a similar method as for derivatives is used: market shocks are applied on all securities posted and received. These shocks reflect the possible future fluctuations of the securities in case of counterparty default. Furthermore, an additional haircut is applied in case wrong-way risk is incurred.

Exposure of AXA Bank Belgium to derivatives and money market transactions, 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 derivatives and repo counterparties 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. As from 2022, the Wholesale Risk Committee will cede to exist and new counterparties should be approved by the Balance Sheet Risk Committee.

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

(i) *Repo & Reverse Repo*

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

- All transactions are grouped per netting set. The collateral received under the netting set is deducted from the exposure.

- Supervisory volatility adjustments are applied to non-cash securities received/posted under the repo transaction. These haircuts reflect the possible negative evolution of the securities exchanged

On 31 December 2021, the regulatory exposure of the repo activity amounted to € 268 million;
- of which € 163 million is caused by the difference between exposure and collateral received;
- of which € 91 million is the result of the supervisory volatility adjustment applied to securities posted and received.

(ii) *Derivatives*

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

a) Transactions are grouped in 'netting sets', in which it is legally possible to net positive and negative market values, collateral received and collateral given. The outcome of this calculation is the net replacement cost, capped at zero in case of a negative sum;
b) For each transaction a risk factor is determined, which reflects the possible negative evolution of the transaction value in case of counterparty default;
c) (a) and (b) are added and are multiplied by the regulatory 1.4 alpha factor. 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 2021 are displayed step by step below.

a) The sum of all positive market values amounts to € 395 million. These positive market values amounts are neutralised by negative market values (€ 967 million 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 € 914 million collateral and received € 50 million collateral. This leads to a net replacement cost of € 309 million.
b) The sum of the risk factors amounts to € 96 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) After applying the regulatory alpha factor of 1.4, we arrive at a total exposure at default of € 567 million in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to € 309 million. It is important to note that € 301 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 diversification of counterparties, the concentration risk at AXA Bank Belgium is very low: there are no exposures on connected client groups that exceed 10% of eligible capital.

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 2021 AXA Bank Belgium regularly monitored the changing macro-economic outlooks that were published by NBB, ECB and other external sources. At the end of 2021, 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 2021 by NBB.

AXA Bank Belgium macro-economic scenarios are provided in tables below. As can be seen, the bank is forecasting a solid economic growth in 2022 and the following years, as well as a stable house price increase. The unemployment rate pursues its decreasing trend. The adverse scenario is characterized by a slowing of the growth due to COVID-19 crisis aftermath, and a reversion of the house price trend, with a drop forecasted. The upturn scenario is considering an even more favourable economic growth than the base scenario, with house price continuing their steady increase.

AXA Bank Belgium base scenario is more optimistic than the latest NBB forecasts of end December 2021. For this reason, it has been decided to assign only 50% weight to that scenario, instead of the 60% which is usually assigned to that scenario. Indeed, the NBB projections are less optimistic in the above forecasts. Additionally, the fifth wave of the COVID-19 crisis led to an increase in the uncertainty with regard the macro-economic conditions. As a consequence, and to reflect the less favourable macro-economic forecasts, more weight is attributed to the downturn scenario (30%) than the upturn one (20%). This resulted in an increase of provisions.

The translation of the COVID-19 crisis and of the macro-economic outlook towards the future behaviour on credit portfolio is extremely challenging because of the important uncertainty inherent to the COVID-19 crisis and the impact of governmental supports and COVID-19 mitigation actions on the risk estimates that were still present in 2021 (e.g. moratorium)
Given these circumstances, a management overlay is still in place to cover the impact of the COVID-19 crisis on the professional portfolios.

UR	2021	2022	2023	2024
Adverse		7.1%	6.8%	6,0%
Base		6.6%	6.3%	5.5%
Upturn		6.1%	5.8%	5,0%
GDP%	2021	2022	2023	2024
Adverse		1.6%	0.1%	-0.5%
Base		3.5%	2,0%	1.4%
Upturn		5,0%	3.5%	2.9%
HPI%	2021	2022	2023	2024
Adverse		-3.3%	-3.3%	-3.3%
Base		1.2%	1.2%	1.2%
Upturn		2.7%	2.7%	2.7%

4.4.3.1 ECL sensitivity to Macro-economic outlook

The ECL computed to estimate the ECL 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 (vs. positive growth).

Sensitivity ECL compared to base scenario (€ million)		
	Upturn	Adverse
Stage 1 & 2	-2.05	+ 9.5
Stage 3	-0.68	+ 2.5
Total	- 2.7	+ 12

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 79% have a fixed interest rate and 21% floating interest rate. The interests of the variable rate mortgages are linked to the evolution of the OLO[9] rates. The Belgian law imposes a cap on the variable interest rates of these loans. Given the historically low OLO rates, the embedded value for the client of this cap and the corresponding risk for the Bank are currently small.

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

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

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

Interest Rate Risk Indicators (kEUR)	31/12/2021	31/12/2020
Bank SI (absolute)	5,632	31,768
Bank SI (relative)	0.5%	3.1%
Bank NII (+ 10 bps)	1,791	2,162
Bank NII (- 10 bps)	-9,626	-10,688

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. Following the announcement of sales of AXA Life Europe by AXA Group in August 2018 and the carve-out of the intermediation portfolios finalized in 2020, the intermediation activity has ceased to exist at the end of 2020. There was still some legacy IRS that were completely unwound in the course of 2021

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

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

- 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 2021 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 limit 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 a historical simulation of a two-year time series. The VaR for all trading book activities at the end of 2021 is equal to € 0.71 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 2021 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[10] 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 Standardised Approach (TSA) (i.e. equals the average of the own fund requirements (OFR) across all business lines over the last 3 annual exercises whereas the OFR is the result of the multiplication of the Net Banking Product per Business Line with the Beta-coefficient of the Business Line.) 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 2021 remains detecting and preventing fraud and cyber risks (hacking, phishing and cyber/virus-attacks), regulatory risks (related to MIFID, AML, …) and people risks (key employee exposure, pandemic, …)

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 2021, efforts continued for further optimisation of the 'Loss Data Collection' process. Focus point for 2021 was at one hand to keep the Operational Risk Management, at the same level (Loss Data collection, a smart yearly ORM cycle, and an intensive company-wide High level Risk Self-Assessment exercise) and on the other hand to turn the Internal Control Program into a business as usual working modus. Per macroprocess the Key Risks and the mitigating Controls are identified, a regular 1st line Self-Assessment is introduced, and a second line testing is in place. To guide these activities an ORM Charter is in place as well as an Internal Control Handbook. In the ORM-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.

In 2021, an AXA Bank Belgium tool for Operational Risk Management & Internal Control was deployed which combines all activities of the department (Loss data collection, Risk identification & assessment, Control identification, assessment & testing, Action Plans) 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 were reviewed and controls structurally documented and tested. This activity also made use of the AXA Bank Belgium tool that was deployed in 2021.

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

4.7 Other Risks

4.7.1 Political and regulatory Risk

AXA Bank Belgium mitigates this risk through a political monitoring in all relevant countries 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, ….
Recently, Brexit was a political event that had an impact on exposures towards financial counterparties, exposure to clients and service providers. All necessary measures have been taken accordingly for both CCP and non-CCP exposure.

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 have been transferred to CS Madrid
- OTC derivatives: AXA Bank Belgium has repapered the required UK counterparty deals

The main remaining impact is coming from exposure towards clearing houses. AXA Bank Belgium has a significant exposure towards LCH Swapclear (UK based CCP) via its two clearing members (HSBC and Credit Suisse). The European Commission granted temporary equivalence to the UK CCPs until 30/06/2022. At the start of 2022, the European Commission is consulting member states on a new draft equivalence extension decision until June 2025. 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.
As a conclusion, all necessary impacts from the Brexit have been taken into account and the necessary adjustments until now are implemented.
Other political or related risks are treated in the ESG risk and business risk section.

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 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.

4.7.3 ESG Risk

AXA Bank Belgium promotes the values of a society where sustainability and corporate responsibility are a central component of everything that we do. In this context, AXA Bank Belgium recognizes the role that it has to play as a credit institution with respect to the environment, social and governance (ESG) related matters. Within this document, AXA Bank Belgium has outlined its sustainability and corporate responsibility strategy (given the business model of the bank) and how this is integrated within the risk management framework of the bank.
The integration within the strategy and risk management focuses on three pillars. Part of a worldwide insurance group, AXA Bank Belgium is contributing to AXA Group ambitious goals and key performance indicators (KPIs). AXA Bank Belgium has therefore taken necessary steps to be able to provide data to AXA Group to measure these KPIs/KRIs and by participating in various initiatives such as the Week for Good, Climate School, divestment of certain industries (e.g. coal), extra paid holidays for COVID-19 relief, AXA Hearts in Action,… In addition, AXA Bank Belgium acknowledges the specific banking context in which it operates resulting in strategic decisions. AXA Bank Belgium has already taken various initiatives in a bank specific context, e.g. the offering of green retail products (investment funds and loans) to its clients. Moreover, at all times, AXA Bank Belgium wants to be compliant with current regulatory practices and also have an action plan in place to face expected regulation.

As a result, AXA Bank Belgium has set out a bank-wide strategy which embraces sustainability and corporate responsibility via the integration of key performance indicators on AXA Bank Belgium's own operations: AXA Bank Belgium wants to decrease its own footprint, in line with the overall strategy of AXA Group. Starting from the base year 2019, AXA Bank Belgium wants to decrease its own CO2 footprint (measured as the sum of the CO_2 footprint stemming from power, transportation (car fleet and business travel) and paper by 26% towards 2025. AXA Bank Belgium also sets key strategic targets on its financed activities: AXA Bank Belgium's key business areas such as its offering of investment products to clients and its retail credit activity. AXA Bank Belgium wants to increase its current offering of ESG investment funds to its clients to reach 60% of new production and 30% of total assets under management as sustainable by 2025 (measured via the Belgian towards sustainability Febelfin label or the French ISR label). In addition, AXA Bank Belgium wants to increase its offering of retail credit products when comparing to its overall credit production, starting with consumer loans: Eco car loans target of 20% (compared to all vehicle loans) and loans for sustainable renovation 56% of all renovation consumer loans by 2024.
In addition, AXA Bank Belgium updated its risk management framework in 2021 to properly reflect the importance of sustainability and corporate responsibility. This includes:

- Putting in place a sound governance, including reporting lines and roles and responsibilities on ESG risk across the organization as well as a dedicated Steering Committee to follow up on actions in 2022-2024;
- Updating the risk assessment methodology, by identifying risk drivers that affect other risks within the bank, by assessing the materiality of these risks and putting in place key risk indicators (KRIs) and by setting up reporting processes. AXA Bank Belgium has defined KRIs for risks that are mostly affected by ESG risk drivers and plans to further define KRIs for these areas (funding and retail credit risk activity);
- Revisiting the stress test framework, in the context of internal (e.g. scenarios used in the internal stress test, the ICAAP or recovery plan) and external (e.g. the ECB 2022 climate stress test);
- Performing a global assessment exercise and setting out a plan of updating AXA Bank Belgium's credit risk models;
- Defining data requirements and how the data gaps will be resolved.

AXA Bank Belgium recognizes that this is an iterative process and that a full integration of sustainability and corporate responsibility within its business strategy and risk management framework will take some time. More specifically, certain elements can only be improved when accurate and specific data is collected and analysed. Therefore, AXA Bank Belgium has set out a multi-year plan (until 2024) to focus on the following items:

- Further developing the process to follow-up on the identified key performance and risk indicators (via the Steering Committee);
- Data collection and data quality improvement: AXA Bank Belgium has defined the key data points both from a strategic and a risk perspective that are necessary to improve ESG integration. AXA Bank Belgium will start by improving data quality on NACE codes level 2 and will further develop its EPC data collection. In addition, in order to be able to define the sustainability of assets, AXA Bank Belgium will check what data elements are required;
- Risk assessment methodology development: In addition to collecting data, AXA Bank Belgium will also need to develop methodologies to capture risks. More specifically, AXA Bank Belgium will set up methodologies to measure the carbon emissions of its financed portfolios (retail loans and investment funds), but also apply geographical information on physical risks under multiple scenarios to the physical location of our portfolios. In addition, AXA Bank Belgium will start to implement ESG drivers in its risk classification and model development. Lastly, AXA Bank Belgium will focus on defining methodologies, making use of the EU technical screening criteria, to define which assets, assets under management and financial guarantees can be considered sustainable;
- Improvement of the risk appetite and remuneration integration: while initial steps are already taken to integrate key risk drivers within AXA Bank Belgium's RAF, the correct measurement of the key risks and appropriate data collection are necessities in order to have a proper risk follow-up. Therefore, the integration in the RAF should be seen as a gradual approach, which will be refined throughout the years as data quality and availability improves. With respect to the remuneration integration, AXA Bank Belgium plans to follow the regular process of the update of the STIC in 2022, where it will evaluate the integration of key ESG drivers;
- Stress testing improvements: While AXA Bank Belgium has already integrated a physical climate risk scenario within its stress test framework, the bank acknowledges that this can be improved. Furthermore, this scenario only looks at the short-term (3 year). AXA Bank Belgium will also develop transitional risk long-term scenarios and estimate credit losses under a dynamic balance sheet model. Moreover, the physical risk scenario can be improved, further taking into account the sensitivities of specific regions to physical risks (floodings, rising of sea level,…).

In addition, AXA Bank Belgium recognizes that the current version of the sustainability and corporate responsibility policy focuses mostly on climate and environmental related risks. In the coming years, AXA Bank Belgium will face the challenge of expanding the scope to other sustainability elements, including social and governance related aspects.

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 from the end of 2020 as AXA Bank Belgium has 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.);
- the cash flows of the credits take into account the capital to be repaid, interest, early repayments and the related reinvestment fee;
- these cash flows are subsequently adjusted to take into account:
    - conditional early repayments per interest bucket per type of loan on a loan per loan basis;
    - caps and floors embedded in floating mortgage loans;
    - expected credit losses
- Lastly, the (adjusted) cash flows are discounted based on the OIS curve, increased by an estimation of expected return by a potential acquirer, a liquidity spread and a spread that covers other (administrative) costs including incremental costs being part of the effective interest rate under IFRS.

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, AXA Bank Belgium verified that the global value of all financial instruments for which a fair value is calculated 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 also represents 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 entered into in connection with the issuance of EMTNs. The fair value of these derivatives is determined on the basis of the discounted cash flow method, which uses, among other things, volatilities based on historical data and, where appropriate, on benchmark indices such as the Eurostoxx 50.

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

EMTN issued - the fair value is determined on the basis of the discounted cash flow method, which uses, among other things, volatilities based on historical data and, where appropriate, on benchmark indices such as the Eurostoxx 50.

An increase (decrease) of 10% of the growth rate would lead to an increase (decrease) in fair value by 6.7 million EUR (2020: 6.65 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 2021.12 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	45.992		16.477	29.515
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	405.299	405.189	61	49
Assets derivatives - hedge accounting	1.210		1.210	
Financial liabilities held for trading	42.831		41.468	1.364
Financial liabilities designated at fair value through profit or loss	742.649		328.328	414.320
Liablitities derivatives - hedge accounting	19.524		19.524	

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 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.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) 31.12.2021	RW Level 3 OPENING BALANCE	(a) Net gains and losses included in: W&V	(a) Net gains and losses included in: 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					49
Financial assets at fair value with fair value through profit and loss						0
Financial assets held for trading	29.676	4.440		-4.601		29.515
Financial liabilities held for trading	-2.499	1.135				-1.364
Financial liabilities designated at fair value through profit or loss	-443.626	-848	-2.052	32.205		-414.321
Total level 3 financial assets / liabilities	**-416.399**	**4.727**	**-2.052**	**27.604**	**0**	**-386.120**

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) 31.12.2020	RW Level 3 OPENING BALANCE	(a) Net gains and losses included in: W&V	(a) Net gains and losses included in: 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					49
Financial assets at fair value with fair value through profit and loss						
Financial assets held for trading	28.202	2.518		-1.044		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**		**-416.399**

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)

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 2021 Delta	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-337.374	0	0
Other changes	0	0	0
Delta compared to evolution Market Value	9.500	0	0
TOTAL	**-327.875**	**0**	**0**

Table FVAL.5

FV 2020 Delta	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-998.154	0	0
Other changes	0	0	0
Delta compared to evolution Market Value	17.938	-908	0
TOTAL	**-980.217**	**-908**	**0**

Table FVAL.6

Fair value hierarchy: financial instruments at amortise

Asset/Liability 2021.12 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	26.364.367	27.121.582	83.072		27.038.510
Debt securities	80.626	83.072	83.072		
Loans and advances	26.283.742	27.038.510			27.038.510
Financial liabilities measured at amortised cost	26.967.965	27.084.230		5.704.678	21.379.552
Deposits	21.088.885	21.089.453			21.089.453
Debt securities issued	5.689.050	5.804.747		5.704.678	100.069
Other financial liabilities	190.030	190.030			190.030

Table.FVAL.7

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.8

5.3 Day One Results

No day one results were recognised during the 2021 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 1.08 million EUR and gross DVA of 0.64 million EUR. The net impact (loss) thus came to 0.44 million EUR (before tax) and was recognised on the balance sheet. During 2021 AXA Bank Belgium migrated to a new calculation tool including also the migration towards a new calculation methodology moving from the potential future exposure towards the close-out period exposure but this had only a minor impact on the outcome of the calculation. The evolution since 2020 (a loss (before taxes) of 0.67 million EUR) negatively impacts profit or loss (before taxes) in 2021 for 0.23 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 close-out period 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	202112	2020.12
Fee and commission income		
Securities	55.605	45.115
Issued	52.970	42.146
Transfer orders		
Other	2.635	2.969
Clearing and settlement		
Trust and fiduciary activities	732	727
Asset management		
Custody	732	727
Other fiduciary transactions		
Loan commitments		
Payment services	27.908	26.820
Structured finance		
Servicing fees from securitization activities		
Other	26.659	25.004
TOTAL	**110.904**	**97.667**
Fee and commission expenses		
Commissions to agents (acquisition costs)	48.937	40.675
Clearing, settlement and consignment	1.243	1.084
Other	43.658	42.594
TOTAL	**93.837**	**84.353**

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 2021.12 in '000 EUR	Net
Debt securities	753
Loans and advances	-4.666
Deposits	
Debt securities issued	-259
Other financial liabilities	
TOTAL	-4.171

Table GLNPL.1

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.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 2021.12 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	7.214	
Other financial liabilities		
TOTAL	**7.214**	

Table GLFVPL.1

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.2

With regard to the realized result in 2021, there is also an amount of -0.58 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 2021.12 in '000 EUR	*Net*
Fair value changes of the hedging instrument [including discontinuation]	394.373
Fair value changes of the hedged item attributable to the hedged risk	-382.134
Ineffectiveness in profit or loss from cash flow hedges	
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	**12.239**

Table GLHA.1

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 risk	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.2

11 Other Operating Net Income

Other operating income and expenses in '000 EUR	2021.12	2020.12
INCOME	17.405	16.630
Tangible assets measured using the revaluation model		
Investment property		
Rental income from investment property		
Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used		
Other income related to investment property		
Other	17.405	16.630
EXPENSES	0	0
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	0
TOTAL	17.405	16.630

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 2021.12 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	1.487		1.757		
> 1 year ≤ 5 year	2.597				
> 5 year	403				
TOTAAL NOMINAL AMOUNT	**4.487**		**1.757**		
For the lessor - residual maturity					
< 1 year	2.143		2.143		
> 1 year ≤ 5 year	8.490				
> 5 year	4.556				
TOTAAL NOMINAL AMOUNT	**15.189**		**2.143**		

Table OLA.1

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**		**1.679**		
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.2

13 Employee Benefits

13.1 Breakdown of Employee Benefits

Employee benefits in '000 EUR	2021.12	2020.12
Wages and salaries	55.236	55.718
Social security charges	14.349	14.797
Pension and similar expenses	8.137	7.695
Share based payments	728	1.685
Other	5.615	6.875
TOTAL	**84.065**	**86.770**

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:

	2021	2020	2019	2018	2017
Discount rate	0,65%	0,35%	0,75%	1,55%	1,45%
Inflation rate	1,50%	1,50%	1,70%	1,70%	1,60%
Percentage of salry increase	2,20%	2,20%	2,40%	2,40%	2,30%

Table PE.2

Health care costs increase at an estimated 2% yearly.
The mortality tables used to calculate these liabilities are the MR/FR mortality tables with an age adjustment of minus five years.
The normal retirement age is 65 years to comply with expected long-term trends.
The probability of departure before retirement rate is set according to age according to the table below:

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

Table PE.3

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

- The discount rate is determined at the closing date from the AA corporate bond market rates in the Eurozone and depending on the duration and characteristics of the plans. The duration of the liabilities is about 9.8 years at the end of 2021 compared to about 10.5 years at the end of 2020.
- A decrease of 0.5% in the discount rate would change the total DBO (defined benefit obligation) to +5.3 % and service costs during the period of +4.4 %.
- An increase of 0.5% discount rate would reduce the total DBO by -4.8 % and service costs during the period by -4.0 %.
- An increase of 0.5% in the inflation rate would change the total DBO by +1.9 % and service costs during the period would increase by +2.7%.
- 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 +4.1 % while service costs during the period would increase by +5.3 %.

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 qualifying insurance policy. When this difference is positive, a provision is recognised. When this difference is negative, a prepaid charge is recorded in the balance sheet.

Until the end of 2020 'separate assets' were recognised in the balance sheet. IFRS has created the concept of 'separate assets' which are assets that cannot be deducted from the actuarial debt and are consequently presented in a separate way.
It concerned insurance contracts issued by certain subsidiaries of AXA Group to cover the defined benefit plans.
However, as a result of the sale as of 31 December 2021, from that moment on, contracts are issued by an insurer that are not a related party of AXA Bank Belgium (so-called qualifying insurance policy) and are therefore deductible from the actuarial debt. The net liability was therefore recognised on the balance sheet.

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 ‘qualifying insurance policies at 31 December 2021.

(In '000 EUR)	12.2021	12.2020
Changes in the commitment		
Actuarial liability at the start of the period	177.946	168.869
Service cost	5.914	5.819
Interest on the actuarial liability	358	944
Employee contributions.	329	311
Modification, curtailment, (incl. acquisitions and disposals, etc.)		2.610
Actuarial profits and losses due to changes to experience.	-3.934	2.441
Actuarial differences resulting from change in the hyp for Demographics		
Actuarial differences resulting from change in the hyp for Financials	-5.593	6.412
Benefits paid	-10.204	-9.334
Benefits paid directly by the employer.	-127	-126
Inclusion of DC plans		
Curtailments and settlements		
Actuarial liability at the end of period (A)	**164.689**	**177.946**
Changes in plan assets/qualifying insurance policies		
Fair value of plan assets/qualifying insurance policies at beginning of period	112.073	108.106
Implicit return on plan assets/qualifying insurance policies	222	592
Actual return on plan assets/qualifying insurance policies, excluding the implicit return on plan assets/qualifying insurance policies	1.755	2.906
Employer contributions.	7.608	8.147
Employee contributions.	329	311
Incoming (outgoing) transfers (incl. acquisitions and disposals)	0	1.472
Benefits paid	-10.331	-9.460
Effect of exchange rate changes	0	
Recording of DC plans	0	
Fair value of plan assets/qualifying insurance policies at end of period	**111.657**	**112.073**
Funding of liabilities		
Underfunded plans (plan by plan)	-164.689	-177.946
Overfunded plans (plan by plan)		
Unfunded commitments (B) - (A)	-164.689	-177.946
Unrecognised past service cost		
Cumulative impact of asset ceiling		
Liabilities recorded in the statement of financial position (excluding plan assets/qualifying insurance policies)		
Recognised assets		
Provisions recorded	-164.689	-177.946
Net position (excluding plan assets/qualifying insurance policies)	**-164.689**	**-177.946**
Net economic funding		
(including: plan assets/qualifying insurance policies)		
Net position (excluding plan assets/qualifying insurance policies)	-164.689	-177.946
Fair value of plan assets/qualifying insurance policies at end of period	111.657	112.073
Net economic funding (including: plan assets/qualifying insurance policies)	**-53.031**	**-65.872**

Table PE.4

This variation is mainly explained by the modification of financial and demographic assumptions (see chapter 13.2.1.1Defined Benefit Plans)

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 on 31 December 2020 and 31 December 2021:

(In '000 EUR)	12.2021	12.2020
Annual pension expense and other benefits		
Service cost	6.244	6.130
Curtailments and settlements	0	0
Employee contributions	-329	-311
Interest on the actuarial liability	358	944
Implicit return on plan assets/separate assets	-222	-592
Modification, curtailment, (incl. acquisitions and disposals, etc.)		603
Total annual pension expense and other benefits	**6.051**	**6.773**

Table PE.5

13.2.4 Evolution of the Provision on the Balance Sheet

Change in the provision recorded on the balance sheet between 1 January 2021 and 31 December 2021 only presents the change of the provision recognised in the accounts of AXA Bank Belgium.. The table below shows the detailed changes in the liabilities recorded on the balance sheet with plan assets/ qualifying insurance policies added at the end of each financial year.

The qualifying insurance policy 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 2021 and 31 December 2021 reflects the changes in the provision recognised in the accounts of AXA Bank Belgium and the changes in Plan assets/qualifying insurance policies.

(in '000 EUR)	12.2021	12.2020
Evolution of the provision on the balance sheet		
Provision recorded in the balance sheet at beginning of the period	**-177.946**	**-168.869**
Annual pension expense and other benefits	-6.602	-7.073
Employer contributions.		
Employer benefits	127	126
Benefits paid by separate assets	10.204	9.334
Actuarial gain/losses recognised in other comprehensive income	9.528	-8.853
Modification, curtailment, (incl. acquisitions and disposals, etc.)		-2.610
Provision recorded in the balance sheet at the end of the period	**-164.689**	**-177.946**
Fair value of separate assets (2020)/Plan assets/qualifying insurance policies (2021) at end of the period	111.657	112.073
Net economic funding for commitments at the end of the period	**-53.031**	**-65.872**

Table PE.6

13.2.5 Upcoming Outflows (Benefits Paid and Employer Contributions)

Estimated future benefit payments

Expected future benefits amounted to 4.5 million EUR for 2022 and 5 million EUR for 2023. These amounts may vary depending on differences between assumptions and reality in future years.

Expected employer contributions to plan assets and qualifying insurance policies

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 2022 for pension commitments is 7.9 million EUR. This amount may vary depending on differences between assumptions and reality in future years and represents contributions not directly related to the IFRS annual pension expense and other benefits.

13.2.6 Pension Assets

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

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

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

13.3 Share-based Payments

13.3.1 General Principles

The instruments specified below for share payments are instruments settled in shares.
The total cost for AXA Bank Belgium is not significant in 2021.

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.

2021.12	Options (in '000')	Average Price (in '000 EUR)
Outstanding at 1/1	53,2	
Allocations	0,0	
Capital increases	0,0	
Excercised	-14,6	14,41
Options expired and cancelled	-3,2	14,73
Other movements	10,4	22,90
Outstanding at 31.12	**45,9**	**21,03**

Table PE.7

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.8

The number of options in circulation and the number of options that can be exercised at 31 December 2021 are shown thereafter in accordance with the expiry date:

Date of Grant	Excercise Price	Outstanding	Exercisable
2014-03-24	18,68 €	10.190	10.190
2015-06-19	22,90 €	16.831	16.831
2016-06-06	21,52 €	18.886	18.886

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, 2 investments options were proposed in 2021: the traditional shareholder plan and the leverage 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 leverage plan gives employees the option to subscribe to AXA shares based on 10 times their initial contribution (through the mutual investment fund of the company or through shares held directly) with a discount of 6.75%. The leverage on the personal contribution of employees takes place in the form of a loan (without recovery on the employee above the value of the shares) that is granted by a third party bank. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees who participate in the leverage scheme are given the guarantee of their initial personal contribution and also a certain percentage of the value increase of the share (when compared to the unreduced reference price) for the total invested amount.
At the end of the unavailability period of 5 years, employees can choose from the following: to buy out their saving credit (exit with cash settlement) or transfer their credit invested in the leverage formula to the traditional fund.

The costs of the shareholder plan are valued by taking into account the 5-year restriction for the employee. The approach adopted prices the share based on a replication strategy by which the participant would sell the share on the stock exchange after the 5 year restrictive period and would borrow the amount that is required to immediately purchase an unencumbered share with loan funding by future selling and the dividends paid out during the restrictive period. The opportunity profit must be added to the cost of the plan for the leverage plan that is implicitly offered by AXA since it allows its employees to enjoy the institutional price (and not the stock exchange retail price) for the derivatives.
The AXA Group has proposed to its employees within the framework of the Group employees shareholding policy that they subscribe to a reserved capital increase for a price of 18.86 EUR for the traditional plan (20% discount when compared to the reference price of 23.57 EUR calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and 21.98 EUR for the leverage plan (6.75% discount which is ceded to the partner bank to guarantee the personal contribution) during the past financial year. The AXA Bank Belgium employees subscribed for an amount of 0.444 million EUR.

	2021		2020	
	Traditional	Leveraged	Traditional	Leveraged
Plan maturity (in years)	5	5	5	N/A
[A] Discount to face value	20,00%	6,75%	20,00%	N/A
Reference price (in '000' EUR)	23,57	23,57	17,2	N/A
Subscription price (in '000' EUR)	18,86	21,98	13,76	N/A
Interest rate on employee loan	6,70%	6,74%	6,12%	N/A
5-year risk-free rate (euro zone)	-0,10%	-0,10%	-0,67%	N/A
Dividend yield	7,72%	8,45%	8,55%	N/A
Early exit rate	2,22%	2,22%	1,62%	N/A
Debit interest rate	-0,10%	-0,10%	0,17%	N/A
Retail/institutional volatility spread	N/A	2,12%	N/A	N/A
[B] Cost of the lock-up for the employee	18,35%	6,74%	16,88%	N/A
[C] Opportunity gain	N/A	2,27%	N/A	N/A

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	2021.12	2020.12
Marketing expenses	3.004	2.128
Professional fees	11.121	10.211
IT expenses	40.686	37.741
Rents to pay or to receive	-1.523	-1.376
Operating leases	1.527	1.405
Bank taxes & contributions	46.084	46.979
Other	32.528	35.524
TOTAL	133.427	132.611

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 2021 banking tax amounts to 24.8 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 2021, 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 2021 contribution (DGS & SRF) for AXA Bank Belgium amounts to 19.0 million EUR and the contribution for AXA Bank Europe SCF towards the SRF to 1.8 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 2021 contributions for an amount of 0.5 million EUR.

15 Impairment

15.1 Overview of financial assets in arrears.

2021.12 in '000 EUR	Stage 1 Overdue ≤ 30 days	Stage 1 Overdue > 30 days & ≤ 90 days	Stage 1 Overdue > 90 days > 90 days	Stage 2 Overdue ≤ 30 days	Stage 2 Overdue > 30 days & ≤ 90 days	Stage 2 Overdue > 90 days > 90 days	Stage 3 Overdue ≤ 30 days	Stage 3 Overdue > 30 days & ≤ 90 days	Stage 3 Overdue > 90 days > 90 days
Debt instruments									
Central governments									
Credit institutions									
Non credit institutions									
Corporate									
Loans & advances	110.573	782		58.525	22.798		14.435	8.720	73.695
Central governments									
Credit institutions									
Non credit institutions	5.179	0		3.440	87		746	497	1.348
Corporate	11.616	9		5.555	2.353		965	1.863	7.894
Retail	93.778	773		49.530	20.358		12.724	6.360	64.453
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	39.056	121		11.669	2.952		649	590	3.391
Mortgage loans	45.924	501		36.075	16.196		11.695	5.316	56.130
Term loans	2.619	151		1.373	696		195	355	1.596
Current accounts	6.179			413	514		185	99	1.231
Other									2.105
Other financial assets									
TOTAL	**110.573**	**782**		**58.525**	**22.798**		**14.435**	**8.720**	**73.695**

Table IMP.1

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									
TOTAL	**115.778**	**748**		**64.932**	**21.127**		**9.863**	**7.864**	**88.048**

Table IMP.2

15.2 Additions or reversals of impairments

Overview of impairment 2021.12 in '000 EUR	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	37.665	37.340	325
Financial assets at fair value through other comprehensive income			
Financial assets at amortised cost	37.665	37.340	325
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	**37.665**	**37.340**	**325**

Table IMP.3

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.4

15.3 Changes in gross carrying amount and credit losses between the beginning and end of the financial year.

The changes in the following tables related to mortgages and term loans (for the professional loans) includes also the management overlay for an amount of 11.37 million EUR in 2020 and 5,4 million EUR in 2021. See also chapter 4.4.1.1.1.3

Changes in gross carrying amount between the beginning and the end of annual period
2021.12
in '000 EUR

Financial assets at fair value through other comprehensive income

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	732.987			732.987
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	-314.254			-314.254
Changes in interest accrual	-3.398			-3.398
Capital and other movements	-10.235			-10.235
Closing balance	405.100			405.100

Financial assets at amortised cost

Debt instruments	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**88.580**			**88.580**
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	-24			-24
Capital and other movements	-7.930			-7.930
Closing balance	**80.626**			**80.626**

Consumer Loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**752.513**	**82.748**	**10.411**	**845.672**
Transferts				
From Stage 1 to Stage 2	-68.380	68.380		
From Stage 1 to Stage 3	-2.430		2.430	
From Stage 2 to Stage 1	35.501	-35.501		
From Stage 2 to Stage 3		-8.202	8.202	
From Stage 3 to Stage 1	1.860		-1.860	
From Stage 3 to Stage 2		4.944	-4.944	
New financial assets originated or purchased	348.433	2.144	362	350.939
Financial assets derecognised	-77.034	-11.367	-3.332	-91.733
Write offs			-331	-331
Changes in interest accrual	-236	-8	0	-244
Capital and other movements	-193.033	-22.712	-2.693	-218.438
Closing balance	**797.194**	**80.426**	**8.244**	**885.865**

Mortgage loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**19.148.785**	**1.663.075**	**269.771**	**21.081.631**
Transferts				
From Stage 1 to Stage 2	-1.774.724	1.774.724		
From Stage 1 to Stage 3	-10.803		10.803	
From Stage 2 to Stage 1	1.320.588	-1.320.588		
From Stage 2 to Stage 3		-110.724	110.724	
From Stage 3 to Stage 1	38.025		-38.025	
From Stage 3 to Stage 2		85.980	-85.980	
New financial assets originated or purchased	4.373.644	191.583	1.131	4.566.358
Financial assets derecognised	-1.523.113	-164.590	-46.113	-1.733.816
Write offs			3.764	3.764
Changes in interest accrual	-3.137	1.802	285	-1.051
Capital and other movements	-1.175.066	-104.217	-20.225	-1.299.508
Closing balance	**20.394.199**	**2.017.044**	**206.134**	**22.617.377**

Term loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**1.621.875**	**427.999**	**64.848**	**2.114.722**
Transferts				
From Stage 1 to Stage 2	-308.523	308.523		
From Stage 1 to Stage 3	-7.705		7.705	
From Stage 2 to Stage 1	368.243	-368.243		
From Stage 2 to Stage 3		-26.146	26.146	
From Stage 3 to Stage 1	3.493		-3.493	
From Stage 3 to Stage 2		14.269	-14.269	
New financial assets originated or purchased	568.574	20.759	815	590.147
Financial assets derecognised	-69.067	-22.610	-13.554	-105.231
Write offs			3.614	3.614
Changes in interest accrual	-195	-47	-13	-255
Capital and other movements	-222.901	-45.342	-7.070	-275.313
Closing balance	**1.953.793**	**309.160**	**64.731**	**2.327.684**

Current accounts	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	43.591	10.219	8.470	62.280
Transferts				
From Stage 1 to Stage 2	-9.318	9.318		
From Stage 1 to Stage 3	-1.253		1.253	
From Stage 2 to Stage 1	7.640	-7.640		
From Stage 2 to Stage 3		-2.298	2.298	
From Stage 3 to Stage 1	905		-905	
From Stage 3 to Stage 2		1.139	-1.139	
New financial assets originated or purchased	21.854	2.291	314	24.459
Financial assets derecognised	-18.088	-3.519	-3.413	-25.020
Write offs			674	674
Changes in interest accrual	17	15	158	189
Capital and other movements	4.044	1.355	-609	4.790
Closing balance	49.392	10.879	7.101	67.372

Other	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	490.530		2.383	492.913
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			45	45
Financial assets derecognised			-314	-314
Write offs				
Changes in interest accrual				
Capital and other movements	-30.646		-9	-30.655
Closing balance	459.884		2.105	461.989

Reverse repo	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance				
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	38			38
Financial assets derecognised				
Write offs				
Changes in interest accrual				
Capital and other movements				
Closing balance	38			38

Changes in loss allowances between the beginning and the end of annual period
2021.12
in '000 EUR

Financial assets at amortised cost

Consumer Loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**-906**	**-3.065**	**-1.947**	**-5.918**
Transferts				
From Stage 1 to Stage 2	164	-2.285		-2.121
From Stage 1 to Stage 3	11		-379	-368
From Stage 2 to Stage 1	-83	959		876
From Stage 2 to Stage 3		581	-755	-174
From Stage 3 to Stage 1	-3		139	136
From Stage 3 to Stage 2		-281	305	24
New financial assets originated or purchased	-937	-76	-84	-1.097
Financial assets derecognised	75	346	119	540
Write offs			331	331
Change in credit risk	769	772	843	2.384
Changes due to update in the institution's methodology for estimation	-92	-352		-444
Autres mouvements				
Closing balance	**-1.001**	**-3.400**	**-1.428**	**-5.829**

Mortgage loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	**-1.906**	**-8.762**	**-34.219**	**-44.886**
Transferts				
From Stage 1 to Stage 2	390	-6.793		-6.403
From Stage 1 to Stage 3	4		-237	-234
From Stage 2 to Stage 1	-1.041	4.580		3.539
From Stage 2 to Stage 3		1.221	-4.347	-3.126
From Stage 3 to Stage 1	-18		419	401
From Stage 3 to Stage 2		-916	1.694	778
New financial assets originated or purchased	-733	-1.304	-234	-2.271
Financial assets derecognised	128	888	1.302	2.318
Write offs			3.764	3.764
Change in credit risk	1.791	-278	4.250	5.763
Changes due to update in the institution's methodology for estimation	-141	609	1.728	2.196
Autres mouvements				
Closing balance	**-1.526**	**-10.754**	**-25.880**	**-38.160**

Term loans	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-2.623	-9.650	-18.858	-31.131
Transferts				
From Stage 1 to Stage 2	539	-7.362		-6.823
From Stage 1 to Stage 3	33		-993	-960
From Stage 2 to Stage 1	-644	7.081		6.437
From Stage 2 to Stage 3		1.190	-2.849	-1.659
From Stage 3 to Stage 1	-10		222	212
From Stage 3 to Stage 2		-544	1.420	876
New financial assets originated or purchased	-1.595	-745	-73	-2.413
Financial assets derecognised	62	325	1.710	2.097
Write offs			3.614	3.614
Change in credit risk	1.436	327	1.047	2.810
Changes due to update in the institution's methodology for estimation	265	-533	435	168
Autres mouvements				
Closing balance	-2.537	-9.911	-14.325	-26.773

Current accounts	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance	-96	-336	-4.031	-4.462
Transferts				
From Stage 1 to Stage 2	21	-70		-49
From Stage 1 to Stage 3	3		-450	-447
From Stage 2 to Stage 1	-48	260		212
From Stage 2 to Stage 3		118	-554	-436
From Stage 3 to Stage 1	-28		95	67
From Stage 3 to Stage 2		-88	114	26
New financial assets originated or purchased	-152	-558	-61	-771
Financial assets derecognised	53	116	191	360
Write offs			674	674
Change in credit risk	142	136	787	1.065
Changes due to update in the institution's methodology for estimation	3	14	27	44
Autres mouvements				
Closing balance	-102	-407	-3.207	-3.717

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			-45	-45
Financial assets derecognised			311	311
Write offs				
Change in credit risk			12	12
Changes due to update in the institution's methodology for estimation				
Autres mouvements				
Closing balance			-2.105	-2.105

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				

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

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 14.0 million.

15.4 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 loss allowances in the following tables related to mortgages and term loans (for the professional loans) includes also the management overlay for an amount of 11.37 million EUR in 2020 and 5.4 million EUR in 2021 see also chapter 4.4.1.1.1.3

Credit exposure
2021.12
in '000 EUR

Maximum exposure to credit risk - Financial instruments subject to impairment

Stage 1

	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments	485.726		485.726
Loans & advances (balance)	23.654.500	-5.166	23.649.334
Reverse repo	38		38
Consumer Credit	797.194	-1.001	796.193
Mortgage loans	20.394.199	-1.526	20.392.672
Term loans	1.953.793	-2.537	1.951.256
Current accounts	49.392	-102	49.291
Other	459.884		459.884
Engagement de prêts et garanties	2.051.436	-1.085	2.050.351
TOTAAL	**26.191.662**	**-6.251**	**26.185.411**

Stage 2

	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments			
Loans & advances (balance)	2.417.509	-24.472	2.393.037
Reverse repo			
Consumer Credit	80.426	-3.400	77.026
Mortgage loans	2.017.044	-10.754	2.006.290
Term loans	309.160	-9.911	299.249
Current accounts	10.879	-407	10.472
Other			
Engagement de prêts et garanties	18.960	-286	18.674
TOTAAL	**2.436.469**	**-24.758**	**2.411.711**

Stage 3

	Gross carrying amount	*Loss allowance*	*Carrying amount*
Debt instruments			
Loans & advances (balance)	288.315	-46.945	241.370
Reverse repo			
Consumer Credit	8.244	-1.428	6.816
Mortgage loans	206.134	-25.880	180.254
Term loans	64.731	-14.325	50.406
Current accounts	7.101	-3.207	3.894
Other	2.105	-2.105	0
Engagement de prêts et garanties	2.687	-140	2.547
TOTAAL	**291.002**	**-47.085**	**243.917**
TOTAL	**28.919.133**	**-78.094**	**28.841.040**

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

Equity	199
Debt instruments held for trading	409
Derivatives	46.793
Other	23.870
TOTAAL	**71.271**

Carrying amount of financial assets pledged as collateral for	**3.585.598**
Liabilities	2.826.088
Contingent liabilities	759.510

Table IMP.7

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.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 2021 financial year AXA Bank Belgium has calculated the taxable profit at the statutory Belgian tax rate which ultimately resulted in corporate tax due of 21.9 million EUR.

In 2021, 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"): 90.4 million EUR
- Disallowed expenses : 3.7 million EUR (including the aforementioned corporation tax)
- Movements in taxed reserves (depreciation & provisions): -5.3 million EUR
- DBI deduction: none
- Risk capital deduction: none
- Imputation of transferable tax losses: none

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 12.4 million EUR (statutory rate 27.37 %).
The main tax adjustments relate to:

- The issuance costs charged immediately for tax purposes (2021 increase in taxable base by 1.6 million EUR);
- The contribution to the Single Resolution Fund which is rejected (1.8 million EUR);
- Taxable impairments (4.2 million EUR).

Which led to a total taxable result of 45.2 million EUR.

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 2021.12 in '000 EUR	Net amount	%
1. Tax expense using statutory rate	-32.051	
1.1. Net profit before taxes	128.203	
1.2. Statutory tax rate		25,00%
2. Tax impact of rates in other jurisdictions	2.261	
3. Tax impact of non taxable revenues		
4. Tax impact of non tax deductible expenses	1.423	
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		
9. Tax impact from under or over provisions in prior periods	-429	
10. Other increase (decrease) in statutory tax charge	217	
11. Tax expense using effective rate	-35.530	
11.1. Net profit before taxes	128.203	
11.2. Effective tax rate	3.474	-27,71%

Table IT.1

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.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:

	31/12/2021	31/12/2021	31/12/2021
Analysis of deferred tax assets and liabilities	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	27.749	-16.204	11.545
Invested financial assets	18.643	-12.374	6.269
Pensions and other retirement benefits	3.915		3.915
Employee benefits (other than Pensions)	1.213		1.213
Other provisions for risk and other charges	3.978		3.978
Tax losses			
Other assets		-684	-684
Other liabilities		-3.145	-3.145
Deferred taxes through revaluation reserve for financial assets at fair value through other comprehensive income	38	-752	-714
Deferred taxes through cash flow hedge revaluation reserve			
Deferred taxes through profit and losss on defined benefit plans	8.605		8.605
Deferred taxes on reserves for income through Stock Option Plan			
Deferred taxes on reserves for fair value changes on own credit risk financial liabilities	2.080		2.080
Total deferred taxes	**38.472**	**-16.956**	**21.515**

Table IT.3

	31/12/2020	31/12/2020	31/12/2020
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 (including assets backing UL and excluding investments	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.4

Income tax expense current and deffered in '000' EUR	2021.12	2020.12
Current income tax expense, net	34.241	16.795
Deferred tax expense, net	1.289	4.482
Total	35.530	21.277

Table IT.5

Deferred tax assets per expected date of utilization

31/12/2021	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	683	1.604	123	469	4.504	174	14.854	16.060	0	38.472
TOTAL DTA	683	1.604	123	469	4.504	174	14.854	16.060	0	38.472

Table IT.6

Deferred tax assets per expected date of utilization

31/12/2020	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.7

Deferred tax assets as on the last use date

31/12/2021	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	683	1.604	123	469	4.504	174	14.854	0	16.060	38.472
TOTAL DTA	683	1.604	123	469	4.504	174	14.854	0	16.060	38.472

Table IT.8

Deferred tax assets as on the last use date

31/12/2020	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.9

Deferred tax liabilities per expected date of utilization

31/12/2021	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	654	619	739	205	164	121	1.206	13.247	0	16.956
TOTAL DTL	654	619	739	205	164	121	1.206	13.247	0	16.956

Table IT.10

Deferred tax liabilities per expected date of utilization

31/12/2020	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.11

Deferred tax liability as on the last use date

31/12/2021	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	654	619	739	205	164	121	1.206	13.247	0	16.956
TOTAL DTL	654	619	739	205	164	121	1.206	13.247	0	16.956

Table IT.12

Deferred tax liability as on the last use date

31/12/2020	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.13

17 Cash and Balances with Central Banks

	2021.12 en '000 EUR	2020.12 en '000 EUR
Components of cash and cash equivalents		
On hand (cash)	47.061	58.739
Cash and balances with central banks	1.672.385	3.607.585
Financial assets at amortised cost	64.901	71.564
Financial assets at fair value through other comprehensive income		
TOTAL	1.784.347	3.737.888

Table CBCB.1

18 Financial Assets Held for Trading

Counterparty breakdown Carrying value in '000 EUR	2021.12	2020.12
Derivatives held for trading		
Freestanding derivatives	45.584	63.651
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by	409	
Central governments		
Credit institutions	409	
Non credit institutions		
Corporate		
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	**45.992**	**63.651**

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, this was not the case in 2020 or 2021.

19 Financial Assets Measured at Fair Value through Profit or Loss

AXA Bank Belgium had no financial assets in 2020 and 2021 (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 2021.12 in '000 EUR	Fair Value 2020.12 in '000 EUR
SWIFT	60	60
Privatrust	25	25
Europay	23	23
VISA	1	1
Banking Funding Company	2	2
NCR Corporation	89	77
TOTAL	**200**	**188**

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.

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 2021.12 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							199	
Quoted							89	
Unquoted but FV determinable							61	
Equity instruments at cost							49	
Debt instruments issued by	405.100						405.100	
Central governments	247.896						247.896	
Credit institutions	157.204						157.204	
Non credit institutions								
Corporate								
Loans & advances to								
Central governments								
Credit institutions								
Non credit institutions								
Corporate								
Retail								
Accrued income (if accounted for separately)								
TOTAL	**405.100**						**405.299**	

Table FAAVS.1

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.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 millions EUR en 2020 et 5.4 millions EUR en 2021.€. We refer to chapter 15 'Impairment' for more information.

Counterparty breakdown 2021.12 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	80.626						80.626	81.316	
Central governments	80.626						80.626	81.316	
Credit institutions									
Non credit institutions									
Corporate									
Loans and receivables to	23.654.500	-5.166	2.417.509	-24.472	288.315	-46.945	26.283.741	25.727.674	-13.985
Central governments									
Credit institutions	374.752						374.752	359.175	
Non credit institutions	585.369	-497	66.578	-2.107	15.163	-3.542	660.964	648.839	-132
Corporate	1.429.151	-1.931	218.106	-7.035	46.694	-9.934	1.675.051	1.594.912	-1.391
Retail	21.265.228	-2.738	2.132.825	-15.330	226.458	-33.469	23.572.974	23.124.749	-12.462
Accrued income (if accounted for separately)									
TOTAL	**23.735.126**	**-5.166**	**2.417.509**	**-24.472**	**288.315**	**-46.945**	**26.364.367**	**25.808.990**	**-13.985**

Table LR.1

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.2

Loans and receivables with maturity > 1 year: 23.70 million EUR (2021) and 21.99 million EUR (2020)

Loans and receivables (excluding credit institutions) 2021.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo				
Consumer Credit		7.744	7.850	864.441
Mortgage loans		256.375	5.942	22.316.900
Term loans		371.137	1.644.527	283.027
Current accounts		2.575	17.103	43.977
Other		23.135		64.257
TOTAL		**660.966**	**1.675.422**	**23.572.602**

Table LR.3

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.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 €ster, 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 monthly 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.

   As part of the proactive monitoring, an additional series of swaps for a notional amount for a total of EUR 1,510 million was closed in the course of 2021. A large part of these proactively closed swaps were replaced by swaps at new market conditions, so that the change in the interest rate position of AXA Bank Belgium remains limited.

   The part of the outstanding hedging reserve related to these swaps (126.53 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 2021 is -17.68 million EUR supplemented by a cumulative negative impact of -3.8 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 -21.4 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 €ster, 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.

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

In July 2020, an initial impact was felt. Our central counterparty London Clearing House Ltd (LCH) decided to base the interest charged on the underlying cash guarantee on €ster instead of Eonia, which resulted in a change in the curves that are used for the valuation of the derivatives. The impact on the valuation of the derivatives was compensated by a cash settlement so that the result remained neutral for the parties concerned.

On 16 October 2021, LCH implemented a second change, namely the transformation of the Eonia swaps into Ester flat-swaps which resulted in a decrease of the MtM of swaps. The global decrease of the MtM of the swap portfolio, estimated at -66.37 million EUR (global value evolved from -501.58 million EUR to -567.92 million EUR), was compensated by a settlement received from LCH of 64.57 million EUR.

In addition, in the second half of 2021, all bilateral ISDA/CSA contracts with the various counterparties were checked and, where necessary, the references to Eonia were changed to €ster (or €ster + 8.5 bps), including in terms of the interest payment charged on the cash guarantee.

As at 31 December 2021, the transition to the new reference interest rate within AXA Bank Belgium was therefore completed and the bank is no longer exposed to specific risks associated with this reform of reference interest rates.

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 loans portfolio equal to the volume of swaps documented as hedging instruments.

This part of the total portfolio is modelled as a series of forward rate agreements with a duration of fifteen days with a nominal amount equal to the volume of swaps that are active at the end of each 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 each 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 and can therefore lead to some ineffectiveness

Measurement Method

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

Start Values of Mortgage Loans

Although the 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 difference (if all other elements remain unchanged) between the fair value change of the hedging instruments and the fair value change of the hedged instruments, and can therefore lead to some ineffectiveness.

Hedge Accounting Reserve Compared to the Previous Model

The model of macro fair value hedges of the mortgage loans portfolio with fixed interest was discontinued in 2009 because AXA Bank Belgium decided to review it to increase efficiency. As a result, the hedge accounting reserve was written off based on an allocation of swaps that were active at the time the model was discontinued.

The periodic depreciation may, however, deviate from the difference between the fair value change of the hedged instrument and the hedging instrument (if all other elements remain unchanged).

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

Floating Leg of the Interest Rate Swaps

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

Measurement Method

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

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

Difference between the Expected and Actual Percentages in Mortgage Loan Repayments

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

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

Measurement Method

The portfolio of interest rate caps is valued on the basis of observable rate curves and volatility levels, just like the interest rate caps embedded in loans, which ensures a high effectiveness of hedging between the two instruments.

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

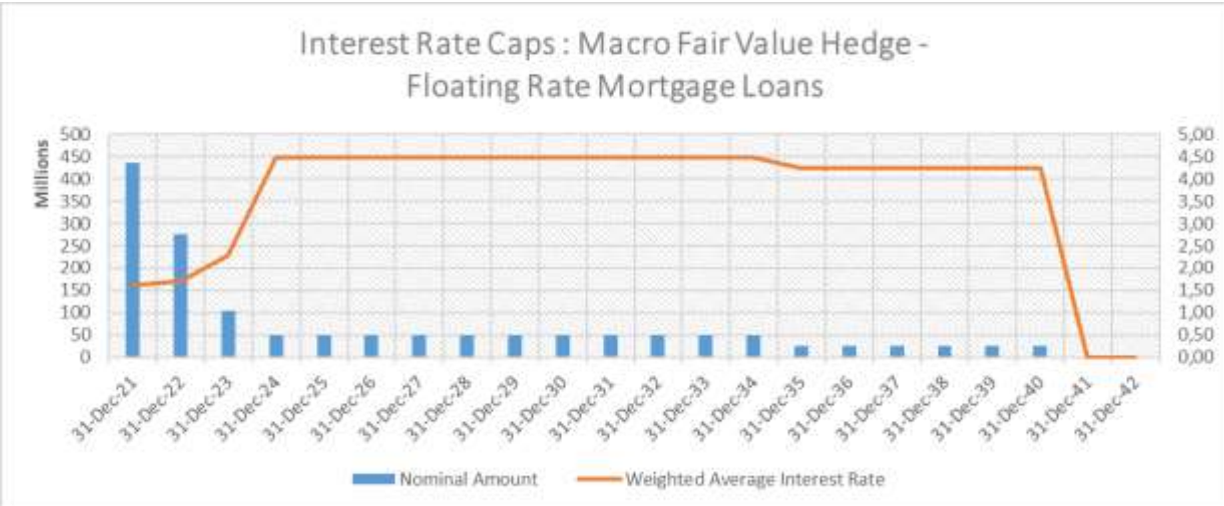
The interest rate swap portfolio is measured based on the dual-curve valuation method (the OIS update) based on the specific characteristics of the individual CSAs that AXA Bank Belgium has with its counterparties. That may contain certain details such as a guarantee in a specific currency, which will 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.

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 2021.12 in '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	4.215.800	5.894	36.154
	IRS	7.111.441	6.219	71
	FRA			
	Forward			
	Interest future	39.700		
	Other			
Equity instruments	Equity forward			
	Equity future	13.206		
	Equity option			
	Warrant			
	Other	448.786	32.655	3.106
Currency (FX)	FX forward	210.753	256	740
	FX future			
	Cross currency swap	99.869	559	2.760
	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		12.139.555	45.584	42.831

Table DHA.1

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

Tabel DHA.2

Derivatives – Hedging Activities (Micro Hedging)

By type of risk	By instrument 2021.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	217.543	15.492	5.736.000
	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		217.543	15.492	5.736.000
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		217.543	15.492	5.736.000

Table DHA.3

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.4

Derivatives - Hedging Activities (Macro Hedging)

Hedging of interest rate portfolio 2021.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges	992	4.032	19.252.466
Cash flow hedges			
TOTAL	992	4.032	19.252.466

Table DHA.5

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.6

Overview Derivatives by Type of Risk

By type of risk	By instrument 2021.12 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		405.100	5.601	0	
Interest rate	Option / Cap / Floor / Collar / Swaption	405.100			
Equity instruments	Equity forward				
Currency (FX)	FX forward				
Credit	Credit default swap				
Commodity					
Other					
Financial assets measured at amortised cost		80.626	28.379		19.252.466
Interest rate	Option / Cap / Floor / Collar / Swaption	80.626			
Equity instruments	Equity forward				
Currency (FX)	FX forward				
Credit	Credit default swap				
Commodity					
Other					
Liabilities					
Financial assets measured at amortised cost		5.534.461	4.223		
Interest rate	Option / Cap / Floor / Collar / Swaption	5.534.461			
Equity instruments	Equity forward				
Currency (FX)	FX forward				
Credit	Credit default swap				
Commodity					
Other					

Table DHA.7

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.8

See also chapter 33 *Offsetting*.

23 Property, Plant and Equipment

PPE measured after recognition using the revaluation model 2021.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	**33.753**	**2.308**	**238**	**878**	**37.178**
Additions	3.145	2	49	13	3.209
Acquisition through business combinations					
Disposals		-207			-207
Disposals through business combinations					
Depreciation	-2.081	-602	-45	-170	-2.898
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	**34.817**	**1.501**	**242**	**721**	**37.281**
Purchase price	75.046	7.311	577	5.535	88.469
Amortization	-40.229	-5.810	-335	-4.814	-51.188
Net book value	**34.817**	**1.501**	**242**	**721**	**37.281**

Table PPE.1

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**
Purchase price	71.901	7.721	528	5.568	85.718
Amortization	-38.148	-5.413	-289	-4.690	-48.540
Net book value	**33.753**	**2.308**	**238**	**878**	**37.178**

Table PPE.2

24 Intangible Fixed Assets

Intangible fixed assets evolved from 18.4 million EUR to 17.7 million EUR.

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

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

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 2021 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 2.0 million EUR was capitalised in 2021 (Loan Origination Mortgages 1.3 million EUR – GPS 0.7 million EUR)

On the intangible fixed assets realized this year and in previous years 2.7 million EUR was depreciated in 2021.

AXA Bank was sold to CRELAN on 31/12/2021. This has no influence on the balance value of the immaterial fixed assets on that date. The immaterial fixed assets will, however, be written off from 2022, taking into account the new economic lifespan of the investments. This lifespan shall be determined on the basis of the integration process of both banks.

Other intangible assets accounted for by using the revaluation model 2021.12 in '000 EUR	Goodwill	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance		17.679	750			18.429
Additions from internal development		1.990				1.990
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		-2.502	-244			-2.746
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		17.167	506			17.673
Purchase price		49.043	2.446			51.489
Amortization		-31.876	-1.940			-33.816
Net book value		17.167	506			17.673

Table IFA.1

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
Purchase price		47.053	2.446			49.499
Amortization		-29.374	-1.696			-31.070
Net book value		17.679	750			18.429

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').

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, Sylvain Dupuislaan 251 – 1070 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 4.2.5
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 currently has no activity.

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 2021.

Summarised financial information of subsidiaries and joint ventures

Entity 2021.12 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%	887.702	884.007	342	31/12/2020
SPV Royal Street	10,00%	357.039	353.256		31/12/2020
AXA BANK Europe SCF	100,00%	10.109.833	9.916.390	17.728	31/12/2020
CASPR SàRL (LU)		60.094	60.082		31/12/2020
Entity 2021.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
Not accounted for by using full consolidation :					
Beran N.V.	100,00%	2.538	1	72	31/12/2020
Payconiq Belgium N.V.	10,00%	39.536	16.875	2.131	31/12/2020
Jofico C.V.	20,00%	1.867	1.533	-116	31/12/2020

Tabel IASJ.1

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	31/12/2019
SPV Royal Street	10,00%	444.872	440.708		31/12/2019
AXA BANK Europe SCF	100,00%	7.674.089	7.498.373	9.995	31/12/2019
CASPR SàRL (LU)	0%				14/08/2020
Not accounted for by using full consolidation :					
Beran N.V.	100,00%	1.969	5	-16	31/12/2019
Payconiq Belgium N.V.	10,00%	34.299	13.704	-1.364	31/12/2019
Jofico C.V.	20,00%	N/A	N/A	N/A	4/11/2019

Tabel IASJ.2

26 Other Assets

Carrying amount in '000 EUR	2021.12	2020.12
Employee benefits	775	112.506
Servicing assets for servicing rights		
Prepaid charges	1.084	1.460
Accrued income (other than interest income from financial assets)	14.114	10.015
Precious metals, goods and commodities		
Other advances	15	23
Other	7.882	8.853
TOTAL	**23.870**	**132.857**

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	2021.12	2020.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	42.831	73.144
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	42.831	73.144

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 0.74 billion EUR with a nominal amount of 0.67 billion EUR on 31 December 2021.

The changes to the debit value adjustments (DVA) amounted to -8.3 million on 31 December 2021 (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 -0.58 million EUR in OCI covers the EMTNs sold during the year.

As at 31 December 2021, no accumulated unrealized profit or loss was transferred to another equity category.

Counterparty breakdown 2021.12 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)	742.649	7.743	-66.232
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	742.649	7.743	-66.232
Convertible			
Non-convertible	742.649	7.743	-66.232
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	742.649	7.743	-66.232

Table FLFVPL.1

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.2

29 Financial Liabilities Measured at Amortised Cost

29.1 Deposits

Counterparty breakdown 2021.12 in '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*	*Total carrying amount*
Deposits from credit institutions			252.823		252.823
Current accounts / overnight deposits			2.784		2.784
Deposits with agreed maturity					
Deposits redeemable at notice					
Other deposits			250.039		250.039
Deposits (other than from credit institutions)	1.071.059	423.536	1.756.923	17.584.544	20.836.062
Current accounts / overnight deposits	16.536	310.199	1.529.051	2.895.502	4.751.288
Deposits with agreed maturity	1.052.325	10.485	12.448	509.250	1.584.508
Deposits redeemable at notice					
Other deposits	2.197	102.853	215.424	14.179.792	14.500.266
Special deposits					
Regulated deposits	2.197	86.811	111.408	14.179.315	14.379.731
Mortgages related deposits					
Other deposits		16.042	104.016	477	120.535
Deposit guarantee system					
Debt certificates (including bonds)					5.689.050
Certificates of deposits					100.069
Customer saving certificates (also when dematerialised)					
Bonds					
Convertible					
Non-convertible					
Other					5.588.981
Subordinated liabilities					
Other financial liabilities					190.030
Accrued expenses (if accounted for separately)					
TOTAL	**1.071.059**	**423.536**	**2.009.746**	**17.584.544**	**26.967.965**

Table FLAC.1

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.2

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).
In 2021 54.22 million € notes are placed with external counterparties. These notes are included in the 'other' line of the table above.
For more background and information, please refer to section4.2.5 Securitisation – Significant Risk Transfer.

29.2 Subordinated Liabilities

There are no subordinated liabilities in 2021.

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.4

29.3TLTRO-loans

AXA Bank Belgium has an outstanding amount of EUR 866 million in TLTRO loans at the end of 2021. 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.
AXA Bank Belgium has subscribed 116 million EUR in the seventh portion, and 750 million in the tenth portion.
In the meantime, for the first tranche (91 million EUR) and the fourth tranche (1,060 million EUR) the option of voluntary early repayment has been used.

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.

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.

Against this background, the European Central Bank decided on 29 January 2021 to issue 3 additional tranches within this series in 2021, to which AXA Bank Belgium subscribed. These have maturity dates in 2024. The additional temporary reduction was also extended by 1 year to 23 June 2022.

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 the credit production to be taken into account on 31 December 2021, the following interest amounts for the outstanding TLTROs were included in the balance:

- a yet to be received benefit for the amount of 15.9 million EUR of which 5.3 million EUR was calculted on 100 bp and this with a special interest period that runs until 23 June 2022. As precaution against the current health crisis and the associated uncertainty with regard to the future credit production, the average deposit facility of 50 bp was applied for the remaining duration until the maturity date.
- The portion of this not yet acquired amounts, at the end of the year, to 14.8 million EUR.

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) 2021.12 in '000 EUR	*Total*
Repo	
Credit institutions	250.039
Other than credit institutions	
Total	**250.039**

Table RRR.3

Transferee : Assets (financing granted) 2021.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions	38
Other than credit institutions	
Total	**38**

Table RRR.5

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

31 Provisions

2021.12 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)		**16.682**	**192.723**	**9.175**	**15.625**	**234.205**
Additions		568	383	810	2.980	4.742
Amounts used		-275	-7.466	-2.167	-5.449	-15.357
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			-5.593			-5.593
Exchange differences						
Other movements			-117.763	-99	422	-117.440
Closing balance		**16.975**	**62.283**	**7.719**	**13.579**	**100.557**

Table PROV.1

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.2

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

Provisions for Tax Litigations

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)

There were no significant evolutions in these pending litigations to report in the course of 2021.

Ongoing Legal Litigations

The main element of this section is the provision for litigation concerning agents and former agents. It mainly concerns disputes about the cooperation or the termination of the relationship, as well as disputes arising as a result of fraud cases. In 2020 and 2021, 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 2021 tax year, new provisions were established for an amount of 0.4 million EUR concerning severance schemes that currently exist at AXA Bank Belgium, and a reduction in the provision for 6.2 million EUR of which 4.8 million EUR to cover the realized costs.
In addition, this also includes the provision under the new severance scheme of the end of 2018, which amounts to 6.6 million EUR at 31 December 2021. In total, these provisions amounted to 8.3 million EUR at 31 December 2021.

Loan commitments and guaranties

This item mainly contains a provision relating to the closure of the Hungarian branch bank (EUR 6.2 million). In addition, provisions relating to committed credits and credit lines (EUR 1.5 million) are also included here.

Other Provisions

This item includes a provision for the planned consolidation of the agent network regarding the waves initiated until 31 December 2021 to an amount of 2.0 million EUR, and various small HR-related and other provisions.

32 Other Liabilities

Carrying amount in '000 EUR	2021.12	2020.12
Employee benefits	16.424	15.661
Social security charges	3.727	4.110
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	1.058	947
Income received in advance	16.132	18.532
Other debts	21.185	17.870
TOTAL	**58.526**	**57.120**

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 2021 1.5 billion EUR of outstanding repo or reverse repo transactions were netted.

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 2021.12	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	203.871	158.288	45.584	16.641	27.578	1.364
Derivatives - hedging	191.301	190.092	1.210	246	658	305
Reverse Repos	1.498.429	1.498.391	38	0	0	38
Total	1.893.601	1.846.771	46.832	16.887	28.236	1.707

Tableau OFFS.1

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2021.12	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	137.362	94.531	42.831	12.216	30.344	272
Derivatives - hedging	819.221	799.697	19.524	4.671	11.603	3.250
Repos	1.748.430	1.498.391	250.039	243.194	6.844	0
Total	2.705.013	2.392.619	312.394	260.081	48.791	3.522

Tableau OFFS.2

Financial assets – 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	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.3

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.4

34 Contingent Assets and Liabilities

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2021.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.559.157	
Credit-replacing security	742.796	24.113.767
Collateral concerning repos, reverse repos and derivatives	2.824.596	1.511.910
Other obligations	4.343.526	2.320.434

Tableau CAL.1

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.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 2021, there were no such current issues.

In addition, the 'Other commitments' line for the financial year 2021 includes the following financial guarantees received that we would like to explain:

- In view of the low amount of credit requested by customers under the first guarantee scheme, AXA Bank Belgium does not exceed the thresholds to which it can claim intervention by the Belgian authorities.
  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.

- 8,250,117 EUR 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 2021 is only 10,479,531 EUR.

- €54,220,245 in respect of the synthetic balance sheet securitisation transaction carried out by the bank through Caspr S.à r.l. and 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 or credits where there is a limited deficit on the reusable guarantees a mortgage promise may also be granted
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

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 this valuation for residential property.
- 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.

We refer also to section 4.4.1.2.2Policies for Hedging and Risk Mitigation in the context of the above-mentioned non-retail activities.

The line ‘Other obligations’ contains all other obligations received and provided.

Encumbered Assets

A number of assets are encumbered. These are bonds as collateral for receiving funding from the European Central Bank, collateral (cash or bonds) given in the context of derivative transactions, collateral use in collateral swap transactions or collateral (cash or bonds) as collateral for the Belgian tax authorities, Mastercard, SRF or Visa. Also, the loans that are collateral for the covered bonds, are considered to be encumbered. In addition, the cash deposited by the investors of the CASPR notes is encumbered.

2021.12 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	15.163	-3.542	10.669
Corporate	46.694	-9.934	37.285
Retail	226.458	-33.470	177.407
TOTAL	288.315	-46.946	225.361

Tableau CAL.3

2020.12 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	13.729	-4.681	9.072
Corporate	44.861	-12.098	33.478
Retail	297.291	-44.657	233.939
TOTAL	355.881	-61.435	276.489

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 2021).

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

2021.12 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)	33.745	-66	22.744	25.443	207.175	21.602	310.643	-620	31.030	341.052
Operating expenses	-47.544	-9.558	-24.279	-10.349	-46.455	-22.141	-160.325	-3.940	-48.258	-212.524
Impairments	-28	735	184	1.486	2.043	0	4.420		-4.746	-325
Taxes							-28.107		-7.662	-35.530
Underlying earnings	**-13.828**	**-8.889**	**-1.350**	**16.581**	**162.762**	**-538**	**126.631**	**-4.560**	**-29.636**	**92.673**
Discontinued Operations										
Net income										**92.673**

Tabel SI.1

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.2

Main elements reported in the 'Reconciliation' column:

a) Interest margin:

- Elements added to the result in segment reporting: 4.0 million € of which 3.2 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 (2021: 6.0 million EUR) which we see moving to the 'loan impairments' line. This mainly concerns a different classification of recuperations on depreciated claims. In 2020, these differences in classifications amounted to 5.3 million EUR;
- certain elements not included in the operating profit in segment reporting (2021: 20.2 million EUR - 2020: 2.6 million EUR), mainly attributable to the volatility of derivatives (+39 million EUR) and the write-down of previously discontinued swap contracts (-18 million EUR)
  (2020: mainly valuation results related to the EMTNs: 18.7 million EUR offset by results attributing to derivatives: - 17.1 million EUR.

b) Operating costs:

- differences in classifications between segment reporting and the consolidated income statement (2021: - 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 2021. In 2020, it concerned the bank tax amount as well as the contribution to the deposit guarantee fund & resolution fund - 45.0 million EUR.
- differences in classifications between the segment reporting and the consolidated income statement (2021: -2.1 million EUR) which we see moving to the 'loan impairments' line.
- certain costs not included in the operating profit in the segment reporting (2021: - 1.5 million EUR - 2020: - 3.8 million EUR), mainly expenses related to the Crelan closing (-8.8 million EUR) offset by reversal of provisions (+7.2 million EUR).

c) Impairments:

- differences in classifications between segment reporting and the consolidated income statement (2021: - 3.9 million EUR). See above the comments on the interest margin relating to the recovery of depreciated claims and operating costs. In 2020, the difference in classification was – 11.2 million EUR – see also the two upper headings for more explanation.

d) Taxes

- certain elements not included in the operating profit in segment reporting (2021:-0.7 million EUR - 2020: 0.8 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 2021.12 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		329	6.430
Shares					
Bonds					
Loans		12		329	6.430
Selected financial liabilities		9		1.220	250.769
Deposits		9		1.220	250.769
Issued securities					
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 2021.12 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					
Interest paid					20
Dividends received					
Commission received					27.412
Commission paid					1.497
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

The expenses of and income generated by related party transactions for the year 2021 concern transactions with other entities of AXA group as AXA Bank Belgium was still part of AXA group during this period. However, the amounts payable to and receivable from related parties are related to transactions with Crelan group entities due to the sale of AXA Bank Belgium as at 31 December 2021 to Crelan group.

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.3

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.4

The following entities and persons are considered to be related parties to AXA Bank Belgium:

- CrelanCo 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	2021.12	2020.12
Short-term employee benefits	2.917	2.763
Post-employment benefits		
Other long-term benefits	449	459
Share based payments		191
TOTAL	3.366	3.414

Tabel RPT.5

- other related parties, including fellow subsidiaries that are part of the CrelanCo 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.

39 Government Grants and Assistance

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	2021.12	2020.12
	PWC	PWC
Remuneration of the auditors	586	560
Remuneration for exceptional activities or special commissions performed within the company by the auditors		
Other audit activities	127	60
Advisory activities		
Other activities outside audit activities	55	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	38	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 2021 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

Impact of the war between Russia and Ukraine on the bank's portfolios.

Wholesale risk – investment portfolio

The bank's portfolio consists out of sovereign and corporate bonds but within this portfolio there are currently no exposures that are directly related to both countries. In the current context we do not expect any losses related to this war. On the contrary, we see investors taking refuge in low-risk bonds ("flight to quality"), which pushed interest rates lower.
On the level of the stock markets, we see a strong volatility in stock prices and a flight into gold and other commodities. A potential strong decrease of stock prices will negatively impact client portfolio's, and this will lead to a decline in the fees received and potentially a decline in appetite to invest. We factually see more sale transactions and a delay in investment decisions from our retail clients. It remains to be seen what evolution we will see in the coming weeks.

Direct impact on the credit portfolio
Retail segment

AXA Bank Belgium has checked the exposures and deposits it has in relation to clients who's country of residence is Russia or Ukrania:

k€	Russian Federation	Ukrania
Deposits		
- Housholds	11	74
Loans		
- Houshold mortgage loans	81	

Based on this table we can conclude that direct impacts both on loans and deposits are extremely limited in related to the banks portfolios. There were no material exposures / liabilities on Belarus.
We are still performing a check on the assets/liabilities of clients with a Russian / Ukranian nationality.

Professional segment

In the professional sector we see no specific sectors or individual clients that are heavily impacted by the war (at least not more than the general economy, see below). Currently we only identified a limited number of transactions over our accounts with Russia and Ukraine. Yet, we know that for many of our professional clients we are not the only (and not the first) bank. So, it might be that we have a number of clients with sizeable transactions over the accounts of another bank. Like all other banks, AXA Bank Belgium is developing policies, procedures and internal controls to comply with the sanctions and the restrictive measures against Russia and Belarus.

General impact

In general, we can say that this crisis will most likely have a negative impact on economic prospects. The amplitude of the shock and the duration of the impact will highly depend on the evolutions on the terrain and on potential further escalation.
More concretely, energy prices are expected to rise further with important impact on a number of professional clients with a high energy dependency (fe serre-teelt/tuinbouw) and a more general impact on all clients including households. Although impact on household budgets will be partially mitigated by the automatic salary indexation, we should take into account a potentially important negative impact on repayment capacity of all customer segments.
Uncertainty may lead to a slowdown in investments, supply chain ruptures, lack of resources, a stagflation scenario, … with all the consequences that this entails. Today it is too early to make any concrete statements on overall economic impact; hence we will apply "hope for the best and prepare for the worse" method and will intensify stress testing exercises (including reverse testing and worst-case considerations).
Risk will continue to follow this topic in the coming weeks. The evolutions certainly will have an effect on the following exercises:

- Close monitoring of the existing management overlay and if needed additional overlays will be added in consequence of this crisis.
- The ongoing climate stress testing (CST) will be used as input for assessing the adequacy of IFRS9 impairment levels as some scenarios currently unfolding are similar to some CST scenarios.
- ICAAP/ILAAP: other type of scenarios to be considered impacting solvency/liquidity

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

Until 31/12/2021 (before the sale of AXA Bank Belgium to CrelanCo)

Jef Van In, Chairman (until 31/12/2021)
Peter Devlies (until 31/12/2021)
Jeroen Ghysel (until 31/12/2021)
Marie-Cécile Plessix (until 31/12/2021)
Patrick Lemoine (until 31/12/2021)
Emmanuel Vercoustre (until 31/12/2021)
Patrick Keusters (*) (until 31/12/2021)
Philippe Rucheton (*) (until 31/12/2021)
Frank Goossens (until 31/12/2021)
Benoît Claveranne (until 18/11/2021)
Michael Jonker (*) (until 31/12/2021)
Peter Philippaerts (until 31/12/2021)
Pieter Desmedt (until 31/12/2021)

From 31/12/2021 (after the sale of AXA Bank Belgium to CrelanCo)

Luc Versele, Chairman (from 31/12/2021)
Jean-Pierre Dubois, Vice-chairman (from 31/12/2021)
Jan Annaert (*) (from 31/12/2021)
Benoît Bayenet (from 01/01/2022)
Joris Cnockaert (from 31/12/2021)
Bernard De Meulemeester (from 01/01/2022)
Alain Diéval (from 31/12/2021)
Xavier Gellynck (from 31/12/2021)
Jean-Paul Grégoire (from 31/12/2021)
Eric Hermann (*) (from 31/12/2021)
Robert Joly (from 31/12/2021)
Marianne Streel (from 31/12/2021)
Paul Thysens (*) (from 31/12/2021)
Hendrik Vandamme (from 31/12/2021)
Agnes Van den Berge (*) (from 31/12/2021)
Philippe Voisin (from 31/12/2021)
Clair Ysebaert (from 31/12/2021)
Pieter Desmedt (from 31/12/2021)
Emmanuel Vercoustre (from 31/12/2021)
Jeroen Ghysel (from 31/12/2021)

Management Committee

Until 31/12/2021 (before the sale of AXA Bank Belgium to CrelanCo)

Peter Devlies, Chairman (until 31/12/2021)
Frank Goossens (until 31/12/2021)
Peter Philippaerts (until 31/12/2021)
Pieter Desmedt (until 31/12/2021)
Jeroen Ghysel (until 31/12/2021)
Emmanuel Vercoustre (until 31/12/2021)

From 31/12/2021 (after the sale of AXA Bank Belgium to CrelanCo)

Philippe Voisin chairman (from 31/12/2021)
Joris Cnockaert (from 31/12/2021)
Jean-Paul Grégoire (from 31/12/2021)
Pieter Desmedt (from 31/12/2021)
Emmanuel Vercoustre (from 31/12/2021)
Jeroen Ghysel (from 31/12/2021)

Audit Committee

Until 31/12/2021 (before the sale of AXA Bank Belgium to CrelanCo)

Patrick Keusters, Chairman (*) (until 31/12/2021)
Philippe Rucheton (*) (until 31/12/2021)
Patrick Lemoine (until 31/12/2021)

From 31/12/2021 (after the sale of AXA Bank Belgium to CrelanCo)

Agnes Van den Berge (*), Chairman (from 31/12/2021)
Alain Diéval (from 31/12/2021)
Xavier Gellynck (from 31/12/2021)
Paul Thysens (*) (from 31/12/2021)

Nomination Committee

Until 31/12/2021 (before the sale of AXA Bank Belgium to CrelanCo)

Jef Van In, Chairman (until 31/12/2021)
Benoît Claveranne (until 18/11/2021)
Patrick Keusters (*) (until 31/12/2021)

From 31/12/2021 (after the sale of AXA Bank Belgium to CrelanCo)

Paul Thysens (*), Chairman (from 31/12/2021)
Luc Versele (from 31/12/2021)
Jean-Pierre Dubois (from 31/12/2021)
Agnes Van den Berge (*) (from 31/12/2021)

Remuneration Committee

Until 31/12/2021 (before the sale of AXA Bank Belgium to CrelanCo)

Jef Van In, Chairman (until 31/12/2021)
Michael Jonker (*) (until 31/12/2021)
Benoît Claveranne (until 18/11/2021)

From 31/12/2021 (after the sale of AXA Bank Belgium to CrelanCo)

Jan Annaert (*), Chairman (from 31/12/2021)
Eric Hermann (*) from 31/12/2021)
Luc Versele (from 31/12/2021)
Jean-Pierre Dubois (from 31/12/2021)

Risk Committee

Until 31/12/2021 (before the sale of AXA Bank Belgium to CrelanCo)

Philippe Rucheton (*) Chairman (until 31/12/2021)
Michael Jonker (*) (until 31/12/2021)
Patrick Lemoine (until 31/12/2021)

From 31/12/2021 (after the sale of AXA Bank Belgium to CrelanCo)

Eric Hermann (*), Chairman (from 31/12/2021)
Jan Annaert (*) (from 31/12/2021)
Bernard De Meulemeester (from 01/01/2022)
Alain Diéval (from 31/12/2021)

Statutory Auditor

PwC, Auditors, bv, represented by Gregory Joos (licensed auditor)

(*) independent director, according to art 7:87§1

AXA Bank Belgium
member of Crelan Group

Management Report

AXA Bank Belgium 2021 Results

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Message from the Chief Executive Officer

In 2021, AXA Bank Belgium managed to deliver very strong results driven by both increased revenues and decreased costs, but also release of previously constituted provision thanks to the improved quality of our loan book. Net consolidated Profit increased to 93 million euro. This was achieved in yet another challenging year for the banking sector, characterised by a continued regime of low interest rates, the required high pace of investment in new tools and applications and the absorption of many regulatory and compliance requirements. But perhaps even more important, all of us were impacted by the COVID-19 crisis. We would like to extend our warmest thanks to our bank agents and employees who demonstrated an impressive flexibility and resilience by continuing to provide a high quality of services to our customers in these challenging times.

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 (government allowing postponement of loan prepayments) and lockdown, during which the bank managed to service and support its customers. The new omni-channel approach continues to show its worth, providing a future-oriented customer journey experience. Thanks to the growth in its loans business, AXA Bank Belgium managed to limit the downturn in its interest revenues caused by the continued low interest rate environment impacting both mortgage refinancing and liabilities margins.

AXA Bank Belgium's fee revenues increased, with growth in Invest revenues in particular (growth in net new inflow of +38% compared to 2020) and higher revenues from daily banking activities. In the midst of the pandemic, AXA Bank product 'Delegio Privileged portfolio' for affluent customers (launched in 2020) almost tripled and generated 462 million euro net inflow. Against the background of a struggling world economy and volatile stock markets, the Invest portfolio of AXA Bank Belgium increased from 4.9 billion euro to 6 billion euro.

General expenses continued to decline due to tight cost control and increased automation practices to compensate the COVID-19 impact. The rhythm of investment in innovation and transformation was kept at the same pace as in previous years, strengthening the bank in the delivery of its strategy. The bank taxes (incl. deposit guarantee fund contribution & SRF contribution) at 44.9 million euro still constitute a big part of the total operational costs (21%).

Throughout 2021, 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 both their proximity and their expertise through appropriate advice and guidance. AXA Bank Belgium was awarded "most innovative bank" (Spaargids survey), confirming the digital enhancements and their added value for our customers.

More expertise and more frequent contacts with customers require larger but fewer branches, the latter being supported by increased digitalisation. The decrease from 393 to 367 branches during 2021 did not prevent the bank from realising sustained commercial volumes. Combining a flexible and high-performance online platform for banking services with the proximity and the expertise at the local agencies, has led to an overall appreciation of our customers shown in a further increased Net Promoter Score, up from 32 to 37.

The Crelan Group closed 2021 magnificently with the acquisition of AXA Bank Belgium on the last day of the year. Until recently, Crelan was a less significant financial institution in terms of size, but we were nevertheless able to acquire a larger bank under the supervision of the European Central Bank (ECB). This is a first for Belgium and also a rare occurrence at European level.

The acquisition makes Crelan Group the fifth largest financial banking group in terms of total assets among Belgian retail banks. We also acquire the status of significant financial institution and will therefore be directly monitored by the ECB.

We are proud of and grateful for the trust placed in us by the regulators and we want to handle this responsibly.

There are no changes on the street at the moment. Crelan and AXA Bank remain separate banks. But in the meantime, the Crelan and AXA Bank teams are enthusiastically preparing the merger of both banks.

The merged bank is planned for spring 2024. It is our ambition to realize the merger of both banks as smoothly as possible for our customers and to offer them an even better service through the combined knowledge and experience.

Philippe Voisin

Chief Executive Officer

Emmanuel Vercoustre
Administrateur - Directeur

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

AXA Bank Belgium SA

AXA Bank Belgium is primarily a retail bank, focusing on retail daily banking, savings and lending, i.e. servicing customers with their financing needs and facilitating savings and investment possibilities.

RETAIL ACTIVITY

AXA Bank Belgium offers an extensive range of financial products to retail customers, 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 customer 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.

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 Bank Belgium is committed to conducting its 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 customers 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 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 2021, 49% of our employees (incl AXA Belgium) participated in different activities, adding up to 10 820 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 1 500 disadvantaged children from Brussels the opportunity to learn from professionals like our employees.

For the 9th 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. Apart from a few peak days, the coasts weren't too busy last season. This resulted in a lower number of responses for our lifeguards compared to previous years. The lifeguards had to respond 395 times and brought 860 lost individuals safely back to their parents or family members.

During the Christmas exchange breakfasts, AXA's employees receive a breakfast in return for a cash or in-kind donation to associations. This year, we're giving an educational Christmas present to a child in the affected region for every participant in our famous – but unfortunately still virtual – Christmas breakfasts. As a result, a total of 1 932 children will receive an educational Christmas present. A really nice idea!

We matched our employees' donations to the affected regions, bringing the total to more than €28 000.

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

Economic Context

"As the recovery progresses, economic reforms and public investments in human capital and green and digital infrastructure should be scaled up to facilitate resource reallocation and limit long-term scarring. By building toward a more inclusive, digital, and green future, the world's economies can achieve higher and more durable growth". IMF Annual report 2021

+6.1%

Belgian GDP Change [1]

+20%

Mortgage loans granted in Belgium [3]

3.2%

Belgian Inflation [2]

€ 293 bn

Household deposits in Belgium [2]

The Economic And Financial Context

A year and a half after the start of the COVID-19 pandemic, the world economy is posting an exceptional rebound in 2021 (+5.9% compared to -3.1% in 2020), with a recovery of unprecedented vigour compared to other recessions recorded for eight decades. But this recovery is marked by strong disparities: the major economies have achieved sustained growth, while many developing economies have lagged behind.

The rebound in global activity in 2021, combined with supply disruptions and higher food and energy prices, is driving headline inflation higher in many countries. More than half of emerging and developing economies with inflation-control targets saw price increases above their targets in 2021, prompting central banks to raise policy rates.

2021 was the year of the recovery but the global economy enters 2022 in a weaker position than expected. As the new variant of COVID-19, Omicron, spreads, countries are once again restricting travel. Moreover, the war in Ukraine added geopolitical instabilities. Due to the increase in energy prices and supply disruptions, the recovery is slower while inflation is higher and more widespread than expected.

Elevated inflation is expected to persist longer than forecast by the end of 2021 as supply chain disruptions and high energy prices are expected to persist into 2022.

The emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions. Raising policy rates by advanced countries could jeopardize financial stability and pose risks to capital flows, currencies and public finances in emerging and developing countries. Other global risks, such as geopolitical tensions (Russia-Ukraine) or the high probability of major natural disasters will influence the coming year.

UNITED STATES

In the United States, as price and wage pressures became more widespread in 2021, the Federal Reserve decided to accelerate the reduction in asset purchases and made it clear that it would raise rates further. The sharp decline in unemployment has been accompanied by sustained growth in nominal wages, which seems to indicate that the US labour market has tightened somewhat, thus fuelling a rise in prices. Growth in the United States finally rose to around +5.6% in 2021 (vs -3.4% in 2020).

The S&P 500 rose steadily in 2021, reaching a record high of 4,793 points at the end of December (vs 3,572 points at the end of 2020).

CHINA

In China, growth rose to around +8.1% in 2021 (against +2.3% in 2020), marking a sustained recovery in global orders. Given the strict zero-COVID strategy, which regularly restricts mobility and degrades job prospects in construction, private consumption and investment in real estate have augured a more general slowdown.

JAPAN

Japan introduced fiscal support at the end of 2020, but this was not enough to offset the impact of the exceptional measures taken to combat the virus. Growth in 2021 was therefore limited to 1.6% (instead of the expected 3.1%). However, the country sees an upgraded outlook thanks to anticipated improvements in external demand and continued fiscal support.

RUSSIA

In Russia, growth amounted to +4.5% in 2021 (compared to -3% in 2020). This rebound was held back at the end of 2021 by a poor harvest and a worse than expected third wave. In addition, the Russian aims on Ukrainian territory generated strong geopolitical instability at the beginning of 2022 and repercussions on the markets. International sanctions against Russia are also expected to weigh heavily on growth in 2022.

INDIA

India experienced one of the strongest growths in the world in 2021 (+9.0%) after one of the strongest declines also in 2020 (-7.3%). Note the improvement in credit growth, and therefore in investment and consumption, all thanks to the financial sector, which posted more satisfactory results than expected.

UNITED KINGDOM

In the United Kingdom, growth was around +6.8% in 2021 (against -9.8% in 2020). Disruptions associated with the Omicron variant and supply-side constraints (particularly in the labour and energy markets) severely dampened the recovery at the end of 2021 and are expected to continue to weigh down next year.

EUROPE

Eurozone growth fell to -6.4% in 2020 before picking up to +5.2% in 2021. this recovery. In addition, Germany, held back by supply chain shocks, posted weak growth of +3.1% (vs. -4.6% in 2020). Mobility restrictions imposed towards the end of 2021 are also expected to slow growth in the Eurozone in early 2022.

The Euro Stoxx 50 started 2021 at 3,565 points and rose steadily to reach 4,306 points at the end of December, with a record high of 4,400 points in mid-November

BELGIUM

Thanks to the success of successive vaccination campaigns (76.5% of the population fully vaccinated at the end of December 2021) and the gradual reopening of its economy, Belgium has well compensated for the negative growth of 2020 (-5.7%) by achieving an economic growth of +6.1% in 2021.

NBB Economic Review Dec.2021	2020	2021	2022 Forecast
Belgian GDP *(Change)*	-5.7	+6.1	+2.6

Inflation has increased in recent months to levels it has never seen recently, driven mainly by the unexpected surge in energy product prices. It reached 3.2% in 2021 and is expected to rise further in 2022.

The recovery in post-covid global demand is particularly strong in terms of fuels and there is a sort of bottleneck in refining capacity. Oil prices rose sharply throughout 2021 to reach $86 per barrel (Brent) at the end of December, equivalent to the peak of October 2018.

Through the interplay of indexation mechanisms, high rates of inflation in turn push up labour costs.

The harmonized unemployment rate increased in 2021 to around 6.3% (compared to 5.7% in 2020).

OLO rates (10 years) rose to -0.02% in 2021 (compared to -0.14% in 2020). The interbank rate remained around 0% in 2021, oscillating between -0.37% and +0.24%.

Household consumption recorded a particularly marked catch-up movement in the third quarter of 2021, which enabled it to return to its pre-crisis level. Supported by the stimulus, the household savings rate, having peaked in 2020 at 20.2%, fell to 15.6% in 2021.

The inflow of new money into savings accounts reached a new record in June 2021 with 295 billion EUR for Belgian household deposits. Since then, it has fallen slightly to 293 billion at the end of the year (vs 292 billion EUR in 2020 and 282 billion EUR in 2019)[5].

During the third quarter of 2021, the number of loans granted, excluding external refinancing, increased by almost 20% compared to the third quarter of 2020 while the corresponding amount rose by almost 30%[4].

Last year, the Belgian real estate market was still very active. The annual inflation rate for house prices[5] amounted to 8,2% in Q3 2021 compared to 7,4% in Q3 2020. The house price index stood at 129.46 points (2015 = 100) in Q3 2021 compared to 125.71 points in Q3 2020.

(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 2021

"In 2021, the net growth in invest is booming."

€ 4.2 bn

Mortgage Loans Production

€ 713 m

Professional Loans Production

€ 749 m

Net Growth Invest

 # 429 k

Digital active users

Results 2021

CUSTOMER JOURNEY CREDITS

Mortgage loans – In 2021, the production of new mortgage loans reached a level of 4.2 billion euro and was achieved without loosening the credit standards. We managed to achieve a market share of approximately 9% in 2021, which remained stable compared to 2020. The portfolio of outstanding mortgage loans continued to grow to 22.4 billion euro and is of an excellent quality. Thanks to the launch of Mortgage loans in Homebanking and Mobile banking, we now have a full omnichannel approach. An important milestone was set for offering a future-oriented customer journey experience to our customers in accordance with our strategy: Mortgage loans is an 'advise product' which is now digitally supported.

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. The Covid19 crisis forced us to focus more on servicing our existing professional customers rather than on expanding the credit portfolio, and the growth rate slowed down to single digit percentages in the last 2 years. Since the Covid pandemic, we managed to adapt the original Go 2 Market plan to the new situation and different initiatives were launched via webinars instead of live seminars, towards the agent network to accompany our professional customers with good advice. The classic Accountant events which, since last year, were already transformed into very successful digital events with participation by more than 1 000 accountants all over the country, were carried out in hybrid format for the first time in the second half year. So the accountant had the choice to participate physically live at the location or to follow the streamed event online.

The roll out of the Business Banking Model continued at a good pace, which resulted in the nomination at the end of the year of 37 Business Bankers, who delivered the target of 6 million professional loans production.

The growth of the professional credit production this year of 7% (from 665 million euro in 2020 to 713 million euro in 2021) was higher than the previous year (4%) and we are confident that after the Covid crisis we can pick up again with the double digit growth rate in the professional loans segment. 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 of the previous years, will continue to pay off. Two years of a slightly slower growth pace in production is however visible in a slower growth rate of the outstanding portfolio (increase of 10% from 2,112 million euro to 2,332 million euro instead of 6% in 2020). The impact of the Covid19 crisis on the quality of the portfolio from a credit risk view is very limited until now , not least thanks to the bank's choice to continue to support its customers in these difficult times.

Consumer loans – The consumer loans market was heavily impacted in 2021 by the semi-conductor crisis in the car market, especially in the 2nd part of the year. This heavily impacted the volume in car loans in the last months of 2021. However, thanks to a good commercial positioning, an annual production of 345 million was still achieved. This is a raise of 3% compared to the production in 2020. Our market share remained stable at 4.2%. In 2021 we focused on digital Consumer loans for existing customer. The share of the digitally introduced loan requests increased substantially.

CUSTOMER JOURNEY INVEST

2021 was a record year in terms of growth in investments. Thanks to a combination of record net inflows and the very solid performance of the customers' portfolio, the total outstanding off-balance portfolio grew by 24% year-on-year from 4.9 to 6.1 billion euro.

The total net new money (NNM) invest collected in 2021 amounted to 749 million euros, an increase of 38% compared to 2020. This is the net result of strong positive growth in mutual funds of 819 million euro, combined with a net outflow in EMTN of 45 million euros and a negative net growth in third party products of 24 million euros.

Mutual funds – The very strong growth in NNM came primarily from the very big success of the Delegio formula launched in 2020 - an all-in profiled funds solution targeting the personal banking segment – with a net growth of 462 million euro. An important part of this growth was driven by the very strong commercial results of Delegio Privileged Portfolio. Inflows in other mutual funds of the AXA Bank offer amounted to 355 million euro in 2021, an increase of 6% compared to 2020. These funds saw an uptake following the extension of the offer with 3 new (ESG-labelled) funds.

Next to the retail segment, AXA Bank extended its invest offer to the professional segment and launched a dedicated DBI solution for this segment. Even though the project was delivered end Q3 and thus available from Q4 only, the professional segment contributed for 17Mio to the total NNM.

EMTN (as third party product) - In 2021 and because of complicated market circumstances, only 2 new EMTN were launched, with a gross production of 20 Mio. But with maturities of existing EMTNs and limited early redemptions, the net outflow amounted to 45 Mio, compared to a net inflow of 38 Mio in 2020.

Third party products – Volatility on the financial markets because of the Covid-19 pandemic boosted the brokerage activity in individual lines of stock in 2020, despite the fact that this offer is no longer actively promoted. In 2021, this trend slowed down slightly, but still showed a much higher volume than before the pandemic. A total volume of 156 million euro (-25% vs 2020, but +62% vs 2019) in stocks were traded, nevertheless resulting in a net outflow (-16 MM). In combination with strong inflows in pension savings products (+16 MM) and limited outflow in external funds and euro bonds (-24 MM), third party products saw a negative growth of 24 million euro, in line with expectations.

CUSTOMER JOURNEY DAILY BANKING & DEPOSITS

Daily Banking - indicators show a continuous growth.

The number of current accounts increased by 12,872 (net growth). For private accounts, the portfolio-growth was mainly notched up within the (fee-generating) comfort2bank accounts (+9,093). The portfolio of (free) start2bank accounts increased by 1,791.

The number of connected customers increased by 16,693 (273,202 end of 2021 versus 256,509 end of 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). As in the previous year, the focus in 2021 was on increasing the number of digitally active customers, creating extra features in the mobile app and homebanking

The credit card portfolio increased by 4,734 cards, of which 1,872 High-end Visa Premium Plus cards.

The assets under management of current accounts continued to increase with 538 million euro versus an increase of 514 million euro in 2020, resulting in a closing balance of 3,913 million euro. The increase in NNM (both for current accounts and savings accounts) can a.o. be explained by the increased savings ratio during lockdown-periods.

Deposits - Assets under management have increased by 467 million euro in 2021 versus 210 million euro in 2020. This increase was composed of a rise in savings accounts (591 million euro), but a decrease in certificates of deposits (-7 million euro) and in term deposits (-117 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.

Fee income Daily Banking & Deposits - Mainly as a result of increasing card-transaction volumes, due to the easing of corona measures, combined with the success of the new value proposition, the total fee income for current- and savings accounts showed a growth of 2.5 million. It reaches a total of 36.6 million euro in 2021 compared to 34.2 million euro in 2020.

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 2021, a special focus was put on the liquidity and funding management with an uncertain closing timing with Crelan Group. We continued to diversify our sources of liquidity and prepared the issuance of bail-in able instruments planned for 2022. We prepared a new hedge accounting model for our embedded caps in variable mortgages and the necessary adjustments of our swaptions portfolio to be applied as of 2022. We continued to work on the improvement of our prepayment model.

Managed within strict limits, the investment portfolio is made up exclusively of high-quality European sovereign debts, guaranteed supranational bonds and secured bonds. Given the context of extremely tight credit spreads and in order to improve AXA Bank Belgium's leverage ratio and to reduce risks, the size of the portfolio continued to decrease down to 0.439 billion euro (book value) at the end of 2021.

TREASURY

The bank Treasury manages the short-term liquidity and interest rate risk of the bank, optimising the short-term funding at any time. The Treasury has been particularly active in maintaining a sufficient liquidity buffer in 2021 while reducing as much as possible its cost.

Comments on the 2021 consolidated IFRS results

PROFITS AND LOSSES

In million EUR	2020	2021
Financial & operating income and expenses	323	341
Administrative costs and amortisations	-227	-223
Modification gains or losses	-1	
Provisions	-8	10
Total profit *(From continuing operations before taxes and minority interests)*	87	128
Net Profit	66	93

Financial & operating income and expenses – Financial & Operating income and expenses overall increased by 18 million euro compared to 2020. Despite a difficult interest rate environment leading to a lower interest margin, AXA Bank Belgium managed to stabilise its net banking product thanks to increased revenues from fee business (+14.3 million euro).

Administrative costs and amortisations - Administrative costs (-1.9 million euro) were further reduced and amortisations (-2 million euro) decreased given the finalisation of the transformation plan investments, as migration with Crelan will introduce a new IT integration development plan. 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 – Whereas 2020 was characterised by a significant increase of provisions on the credit portfolio as a result of the COVID-19 crisis and the corresponding macro-economic uncertainty, a release of provisions of 5.2 million euro is observed in 2021 as the impact of the COVID-19 crisis was lower than expected. Internal credit risk models indicate that the quality of the credit portfolio is at a record high level. Management overlays in provisions are still present at the end of 2021 to cover the remaining macro-economic uncertainties and to mitigate the effect that client's behaviour in 2021 is positively impacted by various governmental interventions which may give rise to a distorted view on the intrinsic quality of the credit portfolio. In addition, a part of the delta can also be explained by some other reversals of provisions (eg: write back on provision for Hungarian loans, less provision for consolidation of agencies).

Total profit from continuing operations before taxes and minority interests – Total profit or loss from continuing operations before taxes and minority interests stands at 128 million euro, which is up 41 million euro compared to 2020.

Net profit – Net profit stands at 93 million euro, which is up 27 million euro compared to 2020.

BALANCE SHEET AND OFF-BALANCE SHEET

Balance Sheet

In Million EUR	2020	2021
Cash balances	3.738	1.784
Financial Assets	25.394	26.815
Held for trading	*64*	*46*
At Fair value through OCI	*733*	*405*
At amortised cost	*24.597*	*26.364*
Investments in subsidiaries, joint ventures and associates	9	9
Derivatives – Hedge accounting	0	1
Fair value changes	1.101	558
Other assets	216	113
Total Assets	**30.458**	**29.281**

Assets – The balance sheet decreases by 1.2bn where the growth on the retail loans portfolio (+€1.9bn) is more than compensated by the decrease in cash balances (-2bn), the bonds portfolio (-328m) and the decrease and less significant revaluation of the fair value hedged mortgage loans portfolio (-543m), which is mainly explained by the increase in market interest rates over the year and other assets (-103m). It should be noted that the decrease in cash and bonds portfolio is partially offset by +1.5bn borrowed liquid bonds.

In Million EUR	2020	2021
Financial Liabilities	28.872	27.754
Held for trading	*73*	*43*
At Fair value through P&L	*882*	*743*
At amortised cost	*27.917*	*26.968*
Derivatives – Hedge accounting	47	20
Provisions	234	101
Other liabilities	83	95
Equity	1.222	1.313
Total Liabilities & Equity	**30.458**	**29.281**

Liabilities – Please refer to section on liquidity and funding.

Equity – Equity increased by 91 million euro mainly thanks to the net income of the year.

Off Balance Sheet

In Billion EUR	2020	2021
Intermediation derivatives	0.04	0
ALM portfolio hedges	7.34	6.04
Commercial hedges	23.32	29.08
Treasury derivatives	2.25	1.89
Total Derivatives	32.96	37.03
Loan commitments given	1.59	2.06
Other commitments & guarantees given	0.06	0.06
Total Off Balance	34.61	39.15

The off-balance sheet portfolio increased by 4.54 billion euro to 39.15 billion euro (2021 compared to 2020), following the usual hedging of the balance sheet explained by the transactions done to cover the interest rate risk of the bank.

Consolidation Scope

On 31 December 2021, the scope of consolidation for AXA Bank Belgium consisted of the following companies: AXA Bank Belgium SA, AXA Bank Europe SCF, AXA Belgium Finance BV, CASPR and Royal Street SA.

Comments on the statutory accounts and the allocation of earnings

Statutory profit for 2021 amounts to 68.5 million euro. Accumulated profit amounted to 135.8 million euro by the end of 2020. Consequently, accumulated profit, as at 31 December 2021, amounts to 204.3 million euro.

The main difference between the result of the statutory accounts (68.5 million euro) and the consolidated accounts (92.7 million euro), relates to:

- → The **scope of the legal entity** (AXA Bank solo versus AXA Bank consolidated) explaining a difference of 25.4 million euro (result SCF of 25.2 million euro);
- → The **framework differences** (local GAAP versus IFRS), explaining a difference of – 1.3 million euro. The latter is mainly driven by the difference regarding the impairment methodology related to the incorporation of IFRS 9 stage 1 within IFRS, the amortisation of activated commissions, indemnity fees and file handling costs via the effective interest rate method within IFRS and the interest on the contingent convertible obligation booked via retained earnings, partly compensated by deferred taxes.

The Board of Directors proposes, after allocation to the legal reserves (-3.4 million euro) and a profit sharing premium (-0.4 million euro), to carry forward the 2021 result to the next financial year.

Significant events after 2021

Impact of the war between Russia and Ukraine on the banks portfolios.

Wholesale risk – investment portfolio

The bank's portfolio consists out of sovereign and corporate bonds but within this portfolio there are currently no exposures that are directly related to both countries. In the current context we do not expect any losses related to this war. On the contrary, we see investors taking refuge in low-risk bonds ("flight to quality"), which pushed interest rates lower.
On the level of the stock markets we see a rather steep decline of stock prices an a flight into gold and other commodities. The decrease of stock prices will negatively impact client portfolio's and this will lead to a decline in the fees received and potentially a decline in appetite to invest. We factually see more sale transactions and a delay in investment decisions from our retail clients. It remains to be seen what evolution we will see in the coming weeks.

Direct impact on the credit portfolio

1. **Retail segment**

Based on the Finrep reporting we checked the exposures and deposits ABB has in relation to clients who's country of residence is Russia or Ukrania:

k€	Russian Federation	Ukrania
Deposits		
- Housholds	11	74
Loans		
- Houshold mortgage loans	81	

Based on this table we can conclude that direct impacts both on loans and deposits are extremely limited in related to the banks portfolio's. There were no material exposures / liabilities on Belarus.
We are still performing a check on the assets/liabilities of clients with a Russian / Ukranian nationality.

2. **Agricultural segment**

On the level of the agricultural portfolio 2 sectors historically had the closest ties with Russia nl. Apple and pear growers and the pigs sector.

2.1. Apple and pear growers

Russia used to be an important export market for Belgian Apple and Pear growers. However, already since the sanctions against Russia in 2014, Russia has banned the import of European fruit. In the meantime Belgian growers have developed other markets and as such this sector is currently not impacted by the conflict.
For information, the total outstanding exposure on this sector amounts to 63 m EUR.

2.2. 2.2. Pigs

In fact the same goes for the pigs sector where Russia used to be an important market for Belgian farmers. However, also here after the sanction of 2014, Russia became self-sufficient in pork.
For information, the total outstanding exposure on this sector amounts to 100 m EUR.

2.3. General impacts

Russia and Ukraine are, among others, important exporters of cereal and fertilizers. It is obvious that these products will increase sharply in price due to the war, which will negatively affect the cost structure of some farmers. On the other hand, there will be a positive effect for Belgian cereal growers.

3. Professional segment

In the professional sector we see no specific sectors or individual clients that are heavily impacted by the war (at least not more than the general economy, see below). Currently we only identified a limited number of transactions over our accounts with Russia and Ukraine. Yet, we know that for many of our professional clients we are not the only (and not the first) bank. So, it might be that we have a number of clients with sizeable transactions over the accounts of another bank.

General impact

In general, we can say that this crisis will most likely have a negative impact on economic prospects. The amplitude of the shock and the duration of the impact will highly depend on the evolutions on the terrain and on potential further escalation.

More concretely, energy prices are expected to rise further with important impact on a number of professional clients with a high energy dependency (fe serre-teelt/tuinbouw) and a more general impact on all clients including households. Although impact on household budgets will be partially mitigated by the automatic salary indexation, we should take into account a potentially important negative impact on repayment capacity of all customer segments.

Uncertainty may lead to a slowdown in investments, supply chain ruptures, lack of resources, a stagflation scenario, ... with all the consequences that this entails. Today it is too early to make any concrete statements on overall economic impact; hence we will apply "hope for the best and prepare for the worse" method and will intensify stress testing exercises (including reverse testing and worst case considerations). and

Risk will continue to follow this topic in the coming weeks. The evolutions certainly will have an effect on the following exercises:

- In terms of provisions, it is highly likely that the existing management overlay in relation to Covid needs to be transformed as a result of this new crisis.
- The ongoing climate stress testing (CST) will be used as input for assessing the adequacy of IFRS9 impairment levels as some scenarios currently unfolding are similar to some CST scenarios.
- ICAAP/ILAAP: other type of scenarios to be considered impacting solvency/liquidity

Solvency and Liquidity

Solvency

The capital ratios of AXA Bank finish at a solid 21.6% (total capital) and 20% (CET1 capital) on 31/12/2021, further strengthened compared to 2020 (total capital ratio was reported at 20.5% and CET1 ratio at 19%).

CET1 capital increased to 1192 million euro on 31/12/2021 (from €1102m in 2020), mainly explained by €93m net income fully included in capital since the Board of Directors decided not to pay a dividend out of the net income 2021.

Tier 1 capital lies €90m higher than CET1 capital thanks to an outstanding contingent convertible bond issued by AXA Bank in 2014 that Crelan purchased from AXA Group.

Risk weighted assets (RWA) end the year almost stable at 5949 million euro (5995 million euro in 2020), which is mainly explained by the increase of the retail loans portfolio (€+1.9bn), however compensated by a decrease in risk weights thanks to the improved economic context.

The leverage ratio of AXA Bank Belgium increases to 4.3% (3.9% in 2020). This increase is explained by the higher Tier 1 capital and the downwards evolution of the reported leverage exposure. The reported leverage exposure decreases by c. €2.5bn to [€28.4bn] (from 30.9bn in 2020) of which €1.7bn is explained by the exclusion of exposures to central banks on 31/12/21 (whereas these exposures were included on 31/12/20). The remaining -0.8bn is mainly explained by less cash (-2bn) and less significant revaluation of the fair value hedged mortgage loans portfolio (-0.5bn) partially compensated by higher loans and receivables (+1.8bn). It should be noted that the decrease in cash is largely compensated by c. +€1.5bn borrowed highly liquid bonds.

Liquidity / funding

In 2021, ABB managed its liquidity buffer at a high level, with a liquidity coverage ratio reaching 186% on 31/12/21 (197% in Dec-20).

In terms of funding:

- Retail funding significantly increased by 950m over the year, notably explained by the continuous uncertain economic and sanitary context.
- ECB funding decreased by c. 1.5bn mainly explained by the maturity of 1Y PELTRO.
- It should be noted that ABB did not issue any public covered bonds in 2021.

In addition, in terms of liquidity:

- the retail loans portfolio of AXA Bank Belgium increased by €1.9bn over 2021.
- ABB borrowed c. 1.5bn highly liquid bonds.

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 2021, the COVID-19 pandemic continues to create uncertainty with regard to macro-economic conditions. Massive governmental interventions supported the financial health of Belgian households and companies in 2020 and 2021, confirmed by a low default inflow on ABB's credit portfolio in 2021. Nevertheless, uncertainty remains about how the unprecedented impact of the COVID-19 pandemic will affect the quality of the credit portfolio in the mid term when government measures are phased out with a special attention to the self-employed and companies with business models vulnerable to health restrictions. Given the prudent credit policy focusing on residential mortgage lending, the recent evolutions in 2021 give indications that the impact of the COVID-19 pandemic will be smaller than expected at the end of 2020. With respect to (non-interest rate) market risk and non-retail credit risk, ABB remains little exposed to those wholesale risks after carving out the intermediation activity in 2020. 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 digitalisation 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 and the related transition risk.

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 impact

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 digitalisation and our flexible way of working contributed to an effective implementation and will certainly continue to play an important role going forward. This crisis management mode was applicable for the major part of 2021 and ended in September 2021 when we switched to a BAU mode.

The high level of uncertainty resulted in an increase in expected credit losses in line with IFRS9 accounting standards at the end of 2020. In 2021, the expected credit losses are revised downward given the consensus that the impact on the quality of the credit portfolio is smaller than expected in 2020 as described in section 'Comments on the 2021 consolidated IFRS results – Provisions'.

We will continue to scrutinise the developments of the pandemic on the activities of the Company and remain vigilant for any risks which might emerge in the course of 2022.

Management bodies and corporate governance

COMPOSITION OF MANAGEMENT BODIES

Applicable until 31/12/2021

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 (until 18.11.2021)				✓	✓
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.

Applicable as of 31/12/2021 after the closing with Crelan happened at the end of 2021:

Board of Directors NV Crelan:

MODIFICATIONS OCCURRING IN 2021 (until 31/12/2021)

BOARD OF DIRECTORS:

- Resignation of Benoît Claveranne as non-executive director on 18/11/2021

MANAGEMENT BOARD:

- NO

AUDIT COMMITTEE:

- NO

RISK COMMITTEE:

- NO

NOMINATION COMMITTEE:

- Resignation of Benoît Claveranne as non-executive director on 18/11/2021

REMUNERATION COMMITTEE:

- Resignation of Benoît Claveranne as non-executive director on 18/11/2021

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): applicable until 31/12/2021

- 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

Applicable as of 1/1/2022 after the closing with Crelan:

Executive Committee:

COMPETENCE AND INDEPENDENCE OF THE AUDIT COMMITTEE AND THE RISK COMMITTEE

This chapter is only applicable to the situation before 31/12/2021. The new set-up is integrated in the annual report of Crelan.

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 competencies in the fields of banking, accounting and audit and at least one member has competencies 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 3, 83° of the law of 25 April 2014 relating to the status and monitoring of credit institutions.

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 (until 18.11.2021) and Patrick Keusters.

The Remuneration Committee is made up of Jef Van In, Michael Jonker and Benoît Claveranne (until 18.11.2021). The Remuneration Committee was held 3 times in 2021.

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 3, 83° of the law of 25 April 2014 relating to the status and monitoring of credit institutions.

For the competencies of the independent directors, Michael Jonker and Patrick Keusters, see above for the competencies 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 Chairman of the Board of Directors of AXA Bank Belgium. On the 29th of March 2019, Jef Van In was confirmed as member and Chairman 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 customer, 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 2021: 10.75%), liquidity (lower limit 2021: 100%) & leverage (lower limit 2021: 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 euro

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. This exception has been applied.

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 Treasury investment management

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

ALM Treasury & Lond Term Funding. 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 decisions 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 2021

Total Remuneration of Identified Staff in 2021 (Excluding non-executive board members compensation)

The quantitative information set out below concerns the remuneration awarded for the year 2021 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	**€ 2 684 483**	**€ 1 889 267**	**€ 795 217**
Affluent & Distribution	2	**€ 668 945**	**€ 452 432**	**€ 216 513**
Credits & Customer Care	4	**€ 1 038 757**	**€ 737 394**	**€ 301 363**
Risk & Compliance	5	**€ 954 043**	**€ 773 422**	**€ 180 621**
Retail & Transformation	2	**€ 655 376**	**€ 468 305**	**€ 187 071**
Total	19	**€ 6 001 604**	**€ 4 320 819**	**€ 1 680 785**

*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)	**2 494 815 €**	**1 152 512 €**	**€ -**	**€ 1 185 828**	**€ -**	**€ -**
	# people concerned	**6**	**6**	**0**	**3**	**0**	***0***
Higher management	Amount (euro)	**€ 1 063 172**	**€ 348 073**	**€ -**	**€ -**	**€ -**	**€ -**
	# people concerned	**7**	**7**	**0**	**0**	**0**	***0***
Other Identified Staff	Amount (euro)	**€ 762 832**	**€ 180 200**	**€ -**	**€ -**	**€ -**	**€ -**

	# people concerned	6	6	0	0	0	*0*
Total	Amount (euro)	€ 4 320 819	€ 1 680 785	€ -	€ 1 185 828	€ -	€ -
	# people concerned	19	19	0	3	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	€ 611 256	N/A	N/A	€ 541 256	€ 290 405	€ 636 247	€ 557 235	€ 238 557	€ -
Higher management	€ 348 073	N/A	N/A	€ -	€ 35 762	€ 53 130	€ -	€ -	€ -
Other identified staff	€ 180 200	N/A	N/A	€ -	€ 50 105	€ 26 542	€ -	€ -	€ -
Total	€ 1 139 528	€ -	€ -	€ 541 256	€ 376 272	€ 715 918	€ 557 235	€ 238 557	€ -

*Conditional Cash

Number of MRT employees whose total remuneration for 2021 exceeded 1 million euro

Total compensation	Number of MRTs for the year 2021
Between 1 million euro and 1.5 million euro	1
Between 1.5 million euro and 2 million euro	0
Between 2 million euro and 2.5 million euro	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

Sustainability

AXA Bank Belgium (ABB) promotes the values of a society where sustainability and corporate responsibility are a central component of everything that we do. In this context, ABB recognises the role that it has to play as a credit institution with respect to the environment, social and governance (ESG) related matters.

Governments, international organisations and regulators have increasingly started to focus on ESG and the integration by financial market participants of ESG within their strategy, business model and risk management framework. In 2015, the United Nations published its 2030 Sustainable Development Goals (SDGs). While the UN SDGs focus on general sustainability topics, the UN also adopted a legally binding international treaty on climate change in December 2015 (the Paris Agreement). Its goal is to limit global warming to well below 2 degrees Celsius, and preferably below 1.5 degrees compared to pre-industrial levels. To achieve this long-term temperature goal in Europe, the EU presented its European Green deal in 2019, which sets out how the EU intends to make Europe climate neutral by 2050. ABB, as an important financial intermediary within the Belgian financial sector, recognises its role within society with respect to sustainability and corporate responsibility. Therefore, the bank has integrated sustainability and corporate responsibility within its business model, the strategy of the bank and the risk management framework.

Until 2021, ABB was part of a worldwide insurance group and contributed to AXA Group's ambitious goals and key performance indicators while still acknowledging the specific banking context in which it operates. On 31/12/2021, AXA Group completed the sale of ABB and ABB became part of the Crelan Group. Due to the recent nature of the closing, the next section still describes ABB's sustainability policy as part of the AXA Group. ABB and Crelan will work on a joint sustainability strategy and governance in the course of 2022.

ABB has set out a bank-wide strategy which embraces sustainability and corporate responsibility via the integration of key performance indicators on ABB's own operations: starting from the base year 2019, ABB wants to decrease its own CO_2 footprint (measured as the sum of the CO_2 footprint stemming from power, transportation (car fleet and business travel) and paper by 26% towards 2025.

ABB also strives to improve the environmental impact of its financed activities (investment products and credits): it has expanded its offering of green retail products and has set key strategic targets on these financed activities. ABB wants to increase its current offering of ESG investment funds to its customers to reach 60% of new production and 30% of total AuM as sustainable by 2025 (measured via the Belgian towards sustainability Febelfin label or the French ISR label). In addition, ABB wants to increase its offering of retail credit products in comparison to its overall credit production, starting with consumer loans: Eco car loans target of 20% (compared to all vehicle loans) and loans for sustainable renovation 56% of all renovation consumer loans by 2024.

In 2021, ABB has stepped up a gear in terms of sustainability and has successfully integrated ESG in its way of doing business. However, the path to the EU's goal of CO_2 neutrality by 2050 is still long and will require a serious effort from all market players. Therefore, ABB has the ambition to continuously improve its impact on sustainability. ABB has set up a multi-year plan which will make it possible to further embed ESG in its business model and to better quantify and monitor environmental risks.

Business Environment & Strategy

ABB regards sustainability and corporate responsibility as a central component of its business model. Therefore, ABB has analysed and defined a strategy based on the business environment in which it operates.

ABB strives to reduces its own carbon footprint and address the climate risk of its core business of providing credits and investments to customers, both in the fight against the causes of global warming and in adaptation to its consequences (mitigation and resilience).

ABB 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.

ABB's strategic positioning has been defined in 2021 as being part of the worldwide AXA Group. ABB set its strategic position and Key Performance Indicators (KPI's) in line with the ambitious target of AXA Group, while still considering the banking environment in which it operates. At the end of 2021, AXA Group successfully sold ABB to Crelan. The strategy set out below is that of ABB as part of the global AXA Group. ABB and Crelan will work on a joint sustainability strategy and governance in the course of 2022.

Climate Change
While ABB contributes to AXA Group's overall environmental strategy, ABB should recognise its unique position of a credit institution within an insurance group. Therefore, the strategy should go beyond the strategy of the Group (which is insurance driven) and deep dive into the specific impacts given the business model of the bank.

Climate related risk and opportunities

Climate change can pose a risk to the bank and its customers through the physical effects of climate change such as floods or storms. Aside from the physical risk, ABB is also exposed to transition risk, which is the risk that arises from the transition to a climate resilient economy.

Inversely, financial institutions also have an impact on the climate. ABB has a direct impact through the CO_2 emissions of its own operations (e.g. office building) and an indirect impact through its financed activities (credits and investments). This gives ABB the opportunity to reduce its direct and indirect impact on the climate and contribute to climate change mitigation and adaption. On the one hand, ABB can reduce its direct carbon footprint by lowering the emissions of its own operations such as the office building or car fleet. On the other hand, the bank can contribute to climate change mitigation or adaption through its financed activities. More specifically, ABB can offer green loans to retail customers to improve the energy efficiency of their houses and to professional customers to reduce the carbon footprint of their businesses. ABB can also stimulate green investments by providing a sustainable investment offer to its customers.

Therefore, ABB has set targets on its own operations and on its financed activities. Currently, the focus of the bank is on the business lines that are the most materially impacted: the Credits department (via the offering of sustainable loans to ABB's customers) and the Invest department (via the offering of sustainable funds).

Strategy and impact on own operations

ABB is committed to reduce the environmental footprint of its own operations, more specifically it has set targets on the emissions originating from its office building, transportation, and paper use.

In line with the AXA Group targets, ABB aims to reduce its total CO_2 emissions by 26% by 2025 (base year 2019). These targets are based on the approach promoted by the "Science Based Targets" (SBT) initiative, which AXA joined in 2015. According to the SBT, targets adopted by companies to reduce greenhouse gas emissions are considered "science-based" if they are in line with the latest climate science expects from companies to meet the goals of the Paris Agreement to limit global warming to well-below 2°C above pre-industrial levels.

The table below shows the current CO_2 emissions of ABB's own operations and the targeted reduction by 2025. The sections below set out the different initiatives ABB has taken or will take over the next years in order to reduce the carbon footprint of its own operations.

	Impact expressed in units			Impact expressed in Ton eq. CO2 emissions		Target
	Unit	EOY 2019	EOY 2020	EOY 2019	EOY 2020	2019 - 2025
Power (Gas & Electricity)	MWh	3,376	2,592	517	378	-34%
Transportation	km	4,872	2,829	581	324	-25%
Paper	kg /FTE	50	27	36	19	-26%
Total				**1,134**	**721**	**-26%**

Table 1 – Own operations: CO_2 emissions and targets

Energy Use

ABB tracks its power consumption per energy source used as well as the corresponding CO_2 emissions resulting from the energy used.

The office building in Berchem uses both natural gas and electricity for its power use. ABB measures the power use by computing the amount of KWhs spent per year. This amount is multiplied by the CO_2 intensity of the power type in order to arrive at a tonne-equivalent CO_2 amount. ABB plans on reducing the power CO_2 t. eq. amount by 34% (compared to base year 2019).

Note that part of the Berchem building is sub-leased and that a large part is also being used by other companies. Therefore, ABB uses the square meters occupied by ABB itself in order to attribute the power consumption.

ABB is discussing the following potential initiatives in 2022 to reach this target by 2025:

- Optimisation of office space;
- Installation of solar panels on its headquarters in Berchem;
- Purchase of green electricity certificates;
- Preparation for zero-net emissions via:
  - The performance of a BREAAM or ECP study. Although the direct impact on CO_2 emissions is hard to quantify, the result of the study should lead to a multi-year roadmap with a list of concrete actions that can be taken in order to reduce power use;
  - The performance of a lighting study in order to replace TL and PL lights by LED lights;
  - A study of renewable power generation options.

Transport

ABB measures both the amount of kilometers spent on business travel (via air plane or via train) and the kilometers spent by the AXA vehicle fleet. The vehicle fleet is divided into groups based on the CO_2/km emitted by the type of car. The amount of kilometers is multiplied by the CO_2 intensity of the vehicle, in order to arrive at a tonne equivalent CO_2 amount. ABB plans on reducing its total CO_2 impact coming from transportation by 25% by 2025.

ABB plans on reaching this goal by deciding on potential initiatives:

- ABB is executing its smart working policy. Before the start of the Covid-19 crisis, ABB's employees were allowed to work from home on 2 days per week. This policy has been updated, removing constraints on home working, but moving towards a smart working (combination of home working and work at the office) format based on agreements made on the level of each team. In practice, this has led to an increase in working from home and therefore also a decrease into kilometers per year of ABB's vehicle fleet;
- Updating the mobility policy which makes it obligatory to use the train for short-term business travel;
- Increase the offering of electric vehicles. Given that the Belgian government will be granting a tax relief on electric vehicles by 2026 and that traditional vehicle deduction will no longer be allowed as from 2028, there is

a fiscal incentive to update the car policy and focus on electric vehicles only. This will change the distribution of CO_2 intensity of ABB's vehicle fleet towards a low CO_2 intensity and therefore also reduce the CO_2 emissions.

Paper use

ABB measures both the amount of office paper used as well as the paper used for marketing and distribution purposes. A number of measures have already been taken in 2019 and 2020 which has effectively reduced paper use by ABB. Note that the CO_2 amount linked to paper use is significantly lower when compared to power and transportation.

Other

There is no separate action plan with respect to waste and water, however water consumption and waste should also be positively affected by reducing office space.

Strategy and impact on portfolios and activities

The figure below shows the relative constitution of the balance sheet of ABB as a credit institution. The ABB business model is structured around one core business line: Belgian retail activity. ABB is primarily a retail bank, focusing on retail funding and lending, i.e. servicing customers in their financing needs and facilitating savings and invest possibilities.

ABB's Belgian retail activity and balance sheet consists to a large extent out of retail loans and customer deposits, thus a significant part of ABB's revenue is derived from transformation result. ABB's strategy is to increase its effort and focus in accompanying the retail customers by providing solutions in the form of investment advice and the right product for the right customer. As well as by enhancing professionalism in the network of the group of Professional Masters (agents with a professional loan expertise), ensuring better attraction of new customers and general awareness. In the end, this results in more efficiency and profitability through decentralised decision-making and personalised pricing.

Figure 1 – ABB's balance sheet

Retail lending

As a significant part of emissions of greenhouse gas emissions stem from the housing and transportation of households, banks play an essential role in the reduction of these emissions by providing funding to households. These loans will allow households to improve the energy efficiency of their houses and will allow them to buy less polluting vehicles. Secondly, banks will also have an important impact by providing funding to corporates which contribute to climate change mitigation or adaptation.

ABB can promote green lending in two manners: by raising awareness about green investments among its customers and by providing a green lending product offer.

To stimulate customer awareness, ABB publishes blogs about energy-efficient housing or electric vehicles on its website. A survey conducted by ABB in 2019 shows that customers do not feel sufficiently informed about energy-efficient housing. Therefore, the bank has taken it upon itself to inform customers about the importance and possibilities of energy-efficient housing through the partnership with 'iedereenBEN' (initiative of the Flemish government) or 'construire Q-Zen' (initiative of the Walloon government). BEN and Q-Zen are abbreviations of respectively 'Bijna Energie Neutraal' and 'Quasi Zéro énergie', both meaning Nearly Zero Energy Building (NZEB). According to the European EPBD (Energy Performance of Buildings Directive), every new home built in Europe must be a NZEB by 2021. The aim of the government initiative BEN and Q-Zen is to demonstrate to people with the intention of building a new house or apartment what the NZEB exactly entails, what it can mean for them and how they can meet the standards. ABB is a direct partner of BEN and Q-Zen and thus informs customers about the possibility of financing those investments. To keep the green lending products top of mind among customers, ABB launches 1 or 2 campaigns a year to promote the Eco car loan and the Energy@Home.

Within ABB's product offer, two 'green' consumer loans are available. Those loans offer a lower interest rate because of the green investment performed by the customer. The Energy@home can be extended for an energy efficient renovation and the Eco Car loan is used for specific climate-friendly vehicles. ABB has put in place a KPI for these two loans:

- Eco Car loan target of 20% by 2024 (compared to all vehicle loans). It is expected that growth will come from an increasing demand for electric vehicles. In the next couple of years, ABB expects that a large share of the vehicle market will still be combustion engine cars, given the price difference with electric vehicles and given that most of the car manufacturers are not yet ready for a 100% electric car offer;
- Share of Energy Efficient renovations (Energy@Home) in Total Renovation Consumer Loans at 56% in 2024. The growth is expected to be rather limited compared to the current level of approximately 50%:
    - The share of 'Energy Efficient renovations' in 'total renovations' via consumer loans is already quite high (50%). Additionally, there was no further 'natural' growth in 2021 relative to 2020.
    - ABB's current market share in 'Energy Efficient renovations' is about 10-11% (which is higher than our mortgage loan market share);
    - Growth in Energy@Home might be cannibalised by initiatives in the Mortgage Loan product offering (to be developed).

With regard to mortgage loans, ABB also participates in the Flemish Renovation loan, an initiative of the Flemish government.

The strategy of professional loans is in line with the overall strategy of the bank. Today in the Belgian market, limited green financing opportunities exist to date for professional activities or investments. Since May 2021, ABB revised its Credit Policy on professional loans however, to take into account the environmental sustainability of a potential borrower upon performing the creditworthiness assessment. The aim of this initiative is to create awareness of the possible impact of the transition to a more sustainable economy on certain companies. Specifically, this means that, should a professional customer potentially be impacted by transition or physical risks, it has to be clearly motivated and detailed why a loan has been granted.

ABB will further develop its sustainable retail loan strategy in early 2022. This involves analysing whether or not new KPIs should be set, new products should be offered, certain sectors should be incentivised and potential incentives to the agent network with respect to sustainable loans.

Off-balance sheet activity

ABB's overall strategy aims at a successful growth in its fee business (via its Invest offer to customers). In Belgium, ABB offers an extensive range of financial products to retail customers, self-employed professionals and small companies. Therefore, it relies on a network of exclusive, independent bank agencies and independent credit brokers. The bank agents typically also have an independent insurance brokerage activity and hence also support the sale of insurance products of AXA Belgium and AXA Investment Managers' products. The product range is easy to understand and covers all elementary banking needs. For investment funds, ABB applies an advice model, with a main focus on AXA Group funds.

ABB's Customer Journey Invest applies AXA Group's investment policy regarding ESG risk. This implies certain restrictions on non-sustainable industry investments:

Coal mining and coal-based energy production*	Palm oil production*
Oil sands production and oil sands-related pipelines*	Food ("soft") commodities derivatives
Tobacco manufacturing	Controversial weapons manufacturing*
Oil extraction in Artic region	Other ad hoc names raising reputational issues*

Figure 2 – Excluded sectors

ABB promotes sustainable investments by offering a range of sustainable investment funds. Investment funds are considered 'sustainable' if they are covered by either the 'Belgian towards sustainability label' or the 'French ISR label'. Under this definition, 20.2% of the 2021 production, and 17% of total AuM can be considered sustainable.

ABB has set a KPI on its green investment offering: 60% of new production and 30% of total AuM should be sustainable (based on the ABB definition) by 2025. Going forward, ABB will closely follow up new regulations, as the possible introduction of an EU Ecolabel for financial products could have an impact on ABB's invest offer.

Social and Corporate Governance

Social Information

AXA is constantly working on being a responsible employer, placing employee engagement at the heart of its business strategy. Achieving this ambition has meant creating a workplace built on AXA's values, which foster diversity and equal opportunities for all, promote employee participation, encourage professional development and support employee well-being.

Employee relations and work conditions

Maintaining sustainable and responsible employer practices and fostering social dialogue and work conditions are priorities at AXA. Over the past years, AXA, as a mature organisation, implemented processes and instances that let the social dialogue and work conditions develop in its different entities globally.

- A continuous and established social dialogue: AXA is a United Nation Global Compact signatory and is committed to upholding the right to freedom of association and collective bargaining. AXA is also an Organization for Economic Cooperation and Development Global Deal signatory aiming at fighting against inequalities, sustaining social dialogue and promoting a more regulated and sustainable globalization. Moreover, labour-management communications and social dialogue pave the way for the stability required to implement the Group's business development strategy. Each AXA entity, therefore engages with staff and/or their representatives for communication on a regular basis. AXA has also set up a European Works Council (EWC), whose extensive role goes beyond regulatory requirements;

- Engaging people and building a feedback culture: AXA is committed to building an environment where the voices of employees are heard, and actions are taken to ensure they remain engaged. AXA uses the short and focused Pulse survey approach to measure its culture and quickly identify areas of improvement;
- Responsible work conditions respecting work-life balance: Offering an inspiring and inclusive work environment plays a significant part in AXA's overall employee value proposition. As a responsible employer making sure that everyone feels valued and empowered to contribute to the Group's success, AXA has also implemented programmes on preventing stress at work and promoting mental health and well-being. The Group is also working on building an inclusive workplace environment through the Smart Working approach: an environment that sustains different forms of flexible work arrangements (teleworking, part-time work, hot desking, desk sharing, flexible hours, compressed work week) and respects work-life balance;
- Secured and processed work conditions: standards are implemented across AXA on the topics of physical security, health, safety and crisis management, making it possible to create a consistent approach in all entities, based on the locally identified risks.

Learning environment and skills management

In an unpredictable business environment, with the emergence of new risks and competitors, AXA needs to ensure that its business, organisation and people are ready to face new challenges. The insurance and banking sector is changing fast as technologies and customers' expectations disrupt the market. Therefore, business and support functions need to constantly adapt to the environment, which opens plenty of opportunities for AXA people to enhance their skills-set. Learning is more than a key lever to enable employees to grow and develop the skills of the future. A lack of career, skills and talent management, in a highly-competitive environment, could impact AXA's competitiveness.

- Talent and skills management framework: A standard performance management process has been set up at ABB. Through the Organization and Talent Review (OTR) that is in place since 2005, AXA performs a systematic review of the organisation structure required by its current business and its future needs. OTR is the review of the senior leadership roles in all AXA markets and functions;
- Global learning and development offer: ABB's learning and development function is dedicated to the progressive transformation of AXA into an adaptive and self-learning organisation. The vision of ABB is to help people to continuously learn at any time of their workday, individually and collectively, and to foster new ways of learning: to learn continuously in order to thrive in a constantly changing environment. This ambition is supported by a dedicated digital ecosystem easily accessible on any device;
- Mobility: ABB established mobility policies and processes which allow people to move within the company and thereby help ABB better source the right people for its business needs.

Diversity and inclusion

To tackle tomorrow's challenges, AXA aims at setting and enriching an environment and culture which values diversity and inclusion, for all employees. AXA's workforce should reflect the diversity of the markets in which AXA operates, and the middle and top management play a central role in reaching those objectives. Indeed, AXA Group is convinced that diversity and inclusion management are key levers to breed talent and innovation within the organisation and to remain a top player of the market.
As diversity and inclusion are recognised as important drivers to breed talent and innovation, attract and retain the best talents and remain the preferred employer of the market, AXA promotes diversity through its recruitment, learning and development and talent management processes. AXA Group has developed a Diversity and Inclusion (D&I) policy and ambitious commitments to drive initiatives, including public commitments, linked to our Group D&I priorities. AXA's leaders act as advocates for those commitments and are committed to supporting the Group to:

- Reach gender balance across all levels of the organisation;
- Raise awareness on disability;
- Maintain the momentum on the inclusion of the LGBT community;
- Embark our senior executives as advocates for D&I.

Business behaviour

AXA is committed to conducting its business according to 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 customers, 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

AXA's Group Compliance and Ethics Code seeks to establish Group-wide rules and guidelines to ensure that AXA Group companies and employees have a common understanding of the compliance and ethical standards the Group requires. The Guide covers a variety of matters, including specific rules concerning conflicts of interest, anti-bribery and corruption, insider trading, management of confidential information, etc. To prevent this risk of bribery and corruption, AXA Group has introduced a Group ABC Policy that establishes minimum standards for ABC that must be implemented by AXA entities.

Consumer protection regulations have become an increasingly important area for the financial services sector and AXA has taken significant action to comply with these requirements in each of its businesses operating in the EU. Similar regulatory developments regarding business conduct are also taking place in many other parts of the world in which AXA operates and similar measures are in place to respond to those and to share experience between businesses facing similar challenges. Compliance risks, specifically business conduct risks, are assessed on an annual basis and the results and any necessary mitigation actions are developed and shared with senior management. Internal control processes have been developed to ensure controls are effective and cover entities' own operations and those of proprietary sales channels.

Responsible data use and 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 customer data is protected.

AXA has implemented a Group Data Privacy policy with the following objectives:

- To ensure that AXA entities adequately protect the personal and sensitive data of customers and other persons obtained during their business activities;
- To minimise the risk of AXA entities breaching applicable data privacy and protection laws (e.g. EU General Data Protection Regulation - GDPR).

Responsible procurement

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

- Responsible People & Processes: all the AXA professionals working in a procurement department, in addition to the Group's Code of Professional Conduct, must sign a dedicated and reinforced Code of Ethics which promotes fairness and neutrality, confidentiality and transparency of our sourcing decisions. They are also aware of the AXA CR strategy and the AXA Responsible Procurement policy through awareness sessions given by the network of Responsible Procurement Champions identified in our various entities;
- Responsible Vendors: AXA requires from its vendors to be socially and environmentally responsible through the mandatory inclusion of a "Corporate Responsibility Clause" in all our contracts.

Risk Management

ESG Governance

In order to support the incorporation of ESG in ABB's business model and strategy, ABB has set in place a sound governance surrounding sustainability. ABB has set out an organisational structure for the follow-up of sustainability and corporate responsibility, defines roles and responsibilities across the organisation and has set up a dedicated Steering Committee to follow-up on the planned actions on a monthly basis.

Sustainability is also incorporated in the risk management framework of ABB, which consists of three lines of defence: the Business lines are the first line of defence, the Risk Management department is the second one, and internal audit is the third line of defence. All lines of defence work in cooperation with different boards and committees.

The figure below shows how this is applied in the context of sustainability and corporate responsibility.

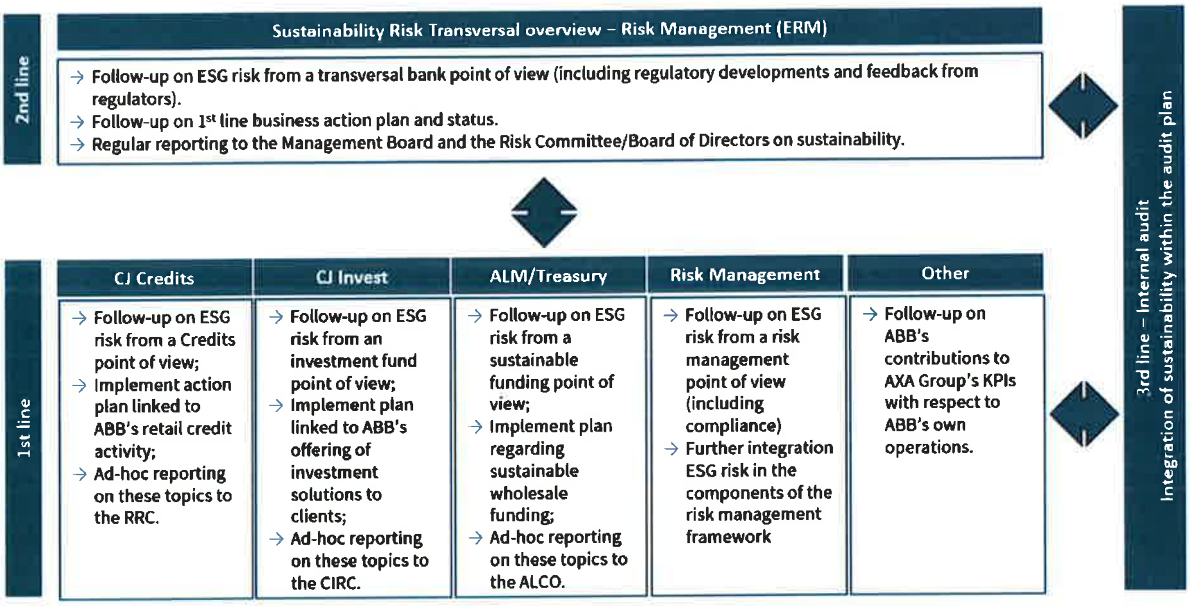

Figure 3 - Three lines of defence in the context of sustainability

ABB has divided the governance of sustainability risks across the traditional three lines of defence. In line with ABB's sustainability and corporate responsibility strategy, ABBs Customer Journeys (more specifically Credits and Invest) as well as supporting business lines (ALM/Treasury) follow-up on ESG risk for their assigned scope. In addition, the action plan that was defined as part of ABB's 3-step strategy are implemented by the business lines for their scope. In addition to the Customer Journeys and the supporting ALM/Treasury business line, a 1st line role is also installed for Risk Management. This involves the execution of the action plan related to risk management items (e.g. risk appetite, disclosure, risk identification and risk assessment and risk reporting). Lastly, other teams, such as ABB's Buildings & facilities team, follow up on ABB's own operations and the related sustainability and corporate responsibility KPIs.

ABB has put in place a transversal overview of sustainability risk within the Risk Management department (more specifically, the Enterprise Risk Management team). This team serves as a second line of defence with respect to sustainability and corporate responsibility and ensures that:

A follow-up on ESG risk is performed from a transversal bank point of view, which includes regulatory initiatives or recommendations made by regulators (e.g. via inspections, SREP process, etc.), internal or external audit;

A follow-up and 2nd opinion is performed on the execution of the sustainability action plan by ABB's first line of defence;

Regular reporting is performed to ABB's highest governance organs, the Management Board and the Risk Committee/Board of Directors;

The third line of defence is performed by ABB's internal audit department. Internal audit develops a risk-based internal audit plan, in compliance with relevant local legal and regulatory provisions and the requirements set in the AXA Internal Audit Policy. This takes into account significant internal anomalies, external events, changes in strategy or any risk or control concerns identified by AXA Internal Audit, management, external auditors, regulators or the relevant Board Committees. Internal audit ensures that the internal audit plan covers each Audit Universe Component within the time horizon set in the AXA Group Policy and agreed by the relevant Audit Committee and considers the on-going relevance of the internal audit plan on a continuous basis; reporting cancellations, additions and deferrals to Group Internal Audit and the Audit Committee. Sustainability and corporate responsibility is integrated in ABB's internal audit plan. In this regard, it serves as an additional control on the work performed by both the 1st and 2nd line of defence.

In addition to this general set-up, ABB also decided to set-up a specific Steering Committee to follow-up on the detailed action plan 2022-2024. The SteerCo is chaired by the CRO and contains stakeholders from Risk management, Credits, Invest, Finance and other teams that contribute to sustainability within the bank. The SteerCo meets on a monthly basis to follow-up on the execution of the specific actions. At least yearly, a dedicated and detailed presentation on sustainability (including the current status of the action plan) is given to the MB and the BoD of ABB.

It should be noted that this section still describes the governance of ABB as a standalone entity. As ABB is part of the Crelan Group since 31/12/2021, a joint governance structure, including ESG governance, will be set out in the course of 2022.

Risk Assessment Process

To assess the impact of climate-related risks, a distinction is made between physical risks and transition risks. Physical risks stem from actual climate change resulting in disruptive events such as extreme weather events (e.g. flooding) or environmental trends (e.g. rising sea level). The prevention and/or mitigation of these physical impacts leads to transition risk, which stems from the transition to a more sustainable and low-carbon economy, either influenced by policy changes, technology changes and changing market sentiment or customer preferences. In Western Europe, the main risks in the short-term mainly stem from transition risk. Physical risks can however also arise, as was evidenced by the floodings in a large part of Belgium in the summer of 2021, which is why this is considered as well in the risk assessment.

In this risk assessment, ABB identifies ESG risk drivers that affect other risks within the bank, assesses the materiality of these risks, puts in place key risk indicators (KRIs) and sets up regular reporting processes. ABB has defined KRIs for risks that are mostly affected by ESG risk drivers and plans to further define KRIs for these areas.

Risk Identification and Measurement

While, until 2020, sustainability risks were considered as a standalone risk (defined in ABB's risk taxonomy as ESG risk), it is considered as from 2021 as a set of risk drivers affecting other risks of the risk taxonomy. On a yearly basis, the exercise will be done to ascertain what the key risk drivers are given ABB's strategy and business model and what risks are affected by these risk drivers.

As a financial institution, ABB considers itself materially exposed to climate and environmental risks. In the short and medium term, it is expected that the main impact on the bank will stem from transition risk. More specifically, ABB believes that transition risk can have a significant impact on its retail credit portfolio and on its fund raising capacities. The next sections set out in detail the main impacts of climate and environmental risks.

Credit risk

Transition Risk

The European Green Deal sets out that Europe wants to be climate neutral by the end of 2050, i.e. net GHG emissions should be zero. The deal requires and entails drastic changes to ensure that GHG emissions are reduced drastically or are compensated e.g. by forests or through technological innovation.

It can be expected that the fastest and heaviest impacts will be felt in those industries that are currently responsible for the majority of all GHG-emissions, since these form the political and environmental priority. Transport, construction, heavy industry, energy industries and agriculture are considered the main contributors, which is why it can be expected that the major transition impacts through policy and technological changes can be seen in these areas.

ABB has a very clear and strict strategy regarding professional loans. First of all, the target group mainly includes family businesses, the self-employed and liberal professions. As is stated within ABB's Credit Policy, companies with a total balance sheet or turnover above € 2 million and more than 10 employees are excluded. Additionally, agricultural companies and general construction companies are excluded in principle as well, although this depends on the customer profile. Transport, on the other hand, is considered as a sector with increased risk in ABB's Credit Policy, which is why loan applications from this sector are treated with more attention.

In general, the above strategy and policy entails that the bulk of ABB's outstanding professional loan portfolio is considered to be attributed to sectors that are less sensitive to transition risk. Moreover, the bank's loan portfolio does not comprise medium-size, large or industry-leading companies. The ABB customers might still be subject to technological changes and/or policy changes, albeit to a lesser extent that these large or industry-leading companies.

Figure 4 below provides a breakdown of ABB's loan portfolio. This detailed segmentation makes it possible to assess the bank's exposure to transition risk, based on the vulnerability of sectors to a possible abrupt transition to a more sustainable economy. From this figure it can be observed that 93% of ABB's outstanding professional loan portfolio is considered to be attributed to sectors that are less sensitive to transition risk. Within the 7% of the sectors that are more sensitive to these risks, most loans have been granted to companies or independent professionals within the agricultural, general construction or transport & automotive sector. The sum of all outstanding loans towards energy, fossil fuel and heavy industry only amounts to 1% of the bank's total outstanding professional loan portfolio.

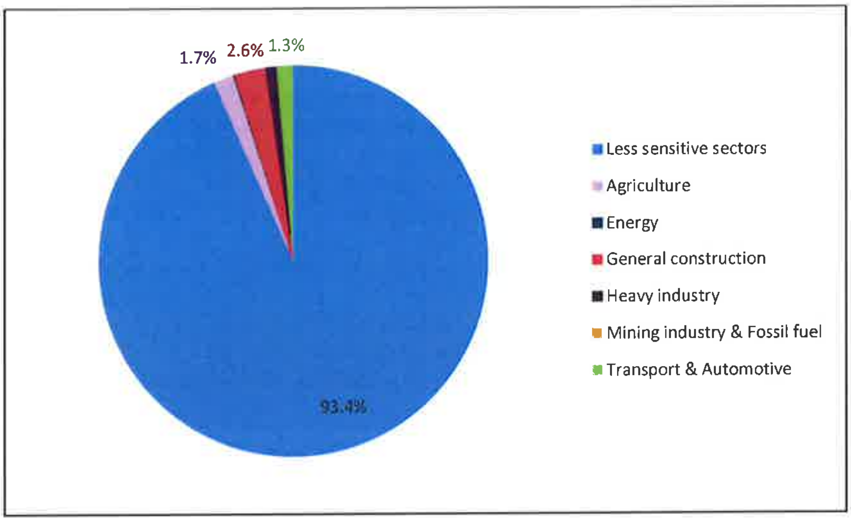

Figure 4 - Distribution of exposure in professional loans (May '21)

Aside from the impact on ABB's professional loan portfolio, transition risk might also be observed within the collateral position of the bank. Commercial and residential buildings are an important contributor to Belgium's general GHG-emissions. In general, it is considered that the transition risk on the collateral position of financial institutions is far greater than physical risk, certainly in Belgium, given the fact that it is likely that impactful policy measures are going to be taken in the short term. As ABB is a retail bank and its lending activity is mainly focused on immovable property, the collateral position of the bank is its main concern when it comes to transition risk and climate change.

The impact on mortgage and commercial housing loans can be two-fold. On the one hand, households could have higher energy costs or renovation costs if they own energy-inefficient houses, lowering their ability to repay their monthly loan advances. On the other hand, more severe regulations on energy performance could lead to lower values of buildings, thereby reducing the bank's collateral position.

The potential impact of transition risk on ABB's collateral position is expected to be mitigated by ABB's substantial collateral position. This high collateral value is reflected in the bank's Loan To Value (LTV) ratio: at the end of June 2021, the weighted LTV of the mortgage portfolio stood at 58%. Besides ABB's substantial collateral position, climate risk is mitigated by ABB's qualitative and well-performing loan portfolio, with a Non-Performing Loan (NPL) ratio of 1.05% at the end of 2021.

Physical risks

It is expected that limited physical risks are present in the short- or medium-term for Belgium, if sufficient and tangible action is taken by, among others, policymakers and financial institution and technological innovation is accelerated.

ABB has already taken the initiative of integrating this risk into its existing risk framework by means of stress testing, as scenario analysis and stress tests will help to identify and measure climate-related risks. A newly created stress test on ESG risks aims at measuring the potential impact of environmental risks, by starting from a physical event that results in severe damages and losses.

Liquidity & Funding risk

The largest part of ABB's funding consists of retail funding, mainly in the form of sight and saving deposits. From a retail funding point of view, a potential impact could come from a reputational event (social or governance aspects) affecting ABB and therefore leading to retail deposit outflows. Such a scenario is incorporated into ABB's stress testing framework. Environmental risk drivers are less likely to have an idiosyncratic impact on ABB and are therefore not considered as a material driver for retail funding outflow.

The second largest funding source are covered bonds issued under French law by AXA Bank Europe Société de Crédit Foncier. Moreover, in its liquidity planning ABB expects to remain reliant on covered bond issuances. Currently, ABB is not issuing covered bonds under a sustainability label. One risk that could emerge is that investors' appetite over the coming years shifts towards green covered bond issuances, especially once the EU Taxonomy and the EU Green Bond standard fully enter into force. In such a scenario, ABB would potentially no longer be able to place its issuances, or pay a higher price than its competitors who issue under the EU Green Bond label.

The impact of ESG risks on liquidity and funding risk is therefore considered material. In order to counter this, ABB is:

- starting to investigate the possibility of issuing EU Green bonds (whether it be covered bonds, securitisations and/or senior non-preferred debt instruments). In a first step, this involves applying the EU Taxonomy technical screening criteria to ABB's assets and new production, as the proceeds of a Green issuance should benefit Taxonomy compliant assets only;
- installing a key risk indicator which monitors the difference between the cost of funding of sustainable issuances and non-sustainable issuances. Therefore, ABB measures this risk by having a risk indicator that calculates the spread between these two types of issuances (over the entire curve of maturities). The monitoring limit is set at 3 bps while the alert limit is set at 5 bps.

Operational risk

Sustainability risks can impact the bank's operational risks. On an annual basis, ABB performs an assessment of the impact of sustainability risks on operational risk. In this analysis, the impact of several natural threats (e.g. heat wave, flood in Paris, flood in Belgium) on operational risk is assessed. Based on the potential financial, reputational, legal/regulatory, operational and data impact, an inherent risk score level is calculated. For ABB, the main risk stems from a flood in Paris which would affect ABB's data center. However, this operational risk is mitigated by a backup data center not located in Paris.

Stress Testing

Stress testing is an analysis conducted to identify the vulnerabilities of the bank 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;
- Informing supervisors for the annual SREP assessment.

With respect to ESG risk, ABB has defined a physical risk scenario within its stress testing framework. The narrative is that Belgium is hit by a severe flood in several areas of the country. A significant part of collateral for the mortgages at ABB is affected. The damage to real estate is covered by fire insurance in Belgium, but a lot of damage is not covered: damage to outside furniture, garden sheds, car, alternative housing in case the house is uninhabitable. A part of the damage is also covered by the government (Rampenfonds).

This leads to higher credit losses, as customers will have more difficulties repaying their mortgage (due to damage costs). In addition, the value of collateral decreases due to the flood. As the government has to pay a part of the damage (covered by Rampenfonds, for the damage to public infrastructure), the government is downward revaluated by the foreign market and the OLO spreads increase. In addition, Belgium is hit by a secondary effect: slowdown of economic growth, higher unemployment, political instability, …

To avoid a similar situation in the future, the government is taking stricter measures over the coming years to achieve a transition to a carbon neutral energy system, to energy neutral houses, …. As a result, the real estate that currently does not fulfil these criteria will decrease significantly in value. Another secondary effect of a transition of the Society to a more climate conscious environment is that customers will demand that their savings be invested in "green" investments. If ABB does not follow this evolution, customers will retrieve their money from their deposit at ABB.

The chain of events is shown in Figure 5 – ESG stress test scenarioFigure 5:

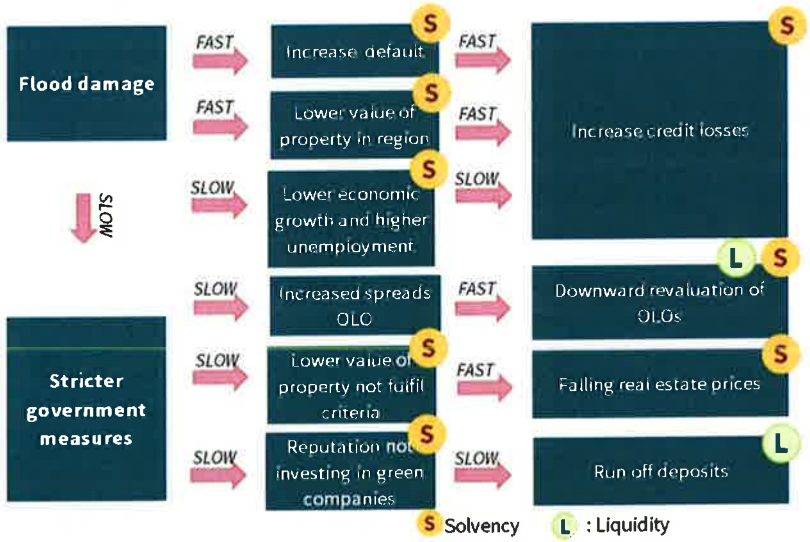

Figure 5 - ESG stress test scenario

The current stress test scenario only considers physical climate risk, therefore ABB plans to also develop a transition risk long-term scenario and estimate credit losses under a dynamic balance sheet model. Moreover, ABB plans to further improve the physical risk scenario, by taking into account the sensitivities of specific regions to physical risks (floodings, rising of sea level,…).

Data collection

An important element in the assessment of ESG related risks is the collection of the relevant data. In order to adequately identify, measure and control ESG related risk, ABB will need to collect additional data such as EPC data of residential/commercial housing, set up methodologies to measure carbon emissions of its financed portfolio (retail loans and investment funds) and collect geographical information on physical risks. This data will also allow ABB to set ESG related key risk indicators and include these risks in its Risk Appetite Framework.

An important element in the ESG data collection is the assessment of the sustainability of ABB's activities. This is supported by the EU Taxonomy, which defines the criteria to be met in order for an activity to be considered sustainable. The classification of activities under the Taxonomy will play an important role for the measurement of ESG risk, the issuance of green bonds and the labelling of invest products offered to retail customers. The next section provides more information on the EU Taxonomy and the steps already undertaken by ABB.

EU Taxonomy

One of the actions included in the EU action plan on financing sustainable growth (March 2018) is the reorientation of capital flows towards a more sustainable economy. To facilitate this objective, the EU Taxonomy has been developed, which provides a clear framework to assess whether different economic activities can be considered sustainable.

In the first step, ABB starts from the total amount of assets reported in FINREP. Based on the EU Taxonomy Delegated Act, ABB splits the reported assets into categories:

- Items inside the scope of the eligibility assessment;
- Items included in the denominator of the green asset ratio (GAR), but not in the numerator;
- Items excluded in both the nominator and denominator of the GAR.

ABB then performs an eligibility assessment based on the scope of the first group.

Of the activities that are in the scope of the eligibility assessment, ABB is mainly looking at its mortgage and consumer loan portfolio. The professional loan portfolio is considered out of scope, as ABB only grants professional loans to individuals and small SMEs (who are not required to report under NFRD). ABB can map a large part of the mortgage and consumer loan activity to the Taxonomy category 7.7 'Acquisition and ownership of buildings' and 6.5. 'Transport by motorbikes, passenger cars and light commercial vehicles'. This exercise allows ABB to define the scope on which it will perform the taxonomy alignment assessment.

In the coming years, ABB will develop a taxonomy alignment methodology to check whether the eligible loans meet the technical screening criteria of the EU Taxonomy and therefore can be considered as sustainable.

The table below shows an overview of ABB's total assets on 31/12/2021. The first part of the table shows the assets which are covered in the GAR calculation and the amount of covered assets which are considered Taxonomy eligible for climate change mitigation or climate change adaption. For these assets it will be checked in a next phase whether they meet the EU Taxonomy technical screening criteria (= Taxonomy aligned). The second and third part of the table present the assets which are excluded from the calculation of the numerator and/or denominator of the GAR.

	Gross carrying amount		Of which Taxonomy eligible
	In mln €	% of total assets	In mln €
1. Covered assets in GAR calculation	**23 633.9**	**80.5%**	**22 801.0**
Households	23 624.5	80.5%	22 801.0
of which lending for house purchase	22 078.4	75.2%	22061.9
of which credit for consumption	870.2	3.0%	739.1
Credit institutions	0.0	0.0%	0.0
Other financial corporations	9.4	0.0%	0.0
Non-financial corporations	0.1	0.0%	0.0
2. Excluded from numerator of GAR calculation	**3 565.4**	**12.1%**	
SMEs	2 735.8	9.3%	
Derivatives	45.6	0.2%	
On demand interbank loans	64.9	0.2%	

Cash and cash-related assets	47.1	0.2%
Other assets	671.9	2.3%
3. Excluded from numerator and denominator of GAR	**2 158.5**	**7.4%**
Sovereigns	485.7	1.7%
Central bank exposure	1 672.4	5.7%
Trading book	0.4	0.0%
Total assets	**29 357.8**	**100%**

Table 2 – Overview of assets 31/12/2021

4.Sustainability

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. For more information on the Group's risks exposure, please refer to Section 5.1 "Risk factors" of this Annual Report.

Further detailed information on the AXA Group's sustainability-related policies and practices is also available in the "Integrated Report", "Climate/TCFD Report", in the online "Group Human Capital Report" [3] and on the AXA Group's website (www.axa.com), in the sustainability Section.

AXA's purpose entails sustainable value creation

Our sustainability strategy is a key driver of employee engagement, customer trust and brand image. Sustainability is viewed as both a risk and opportunity for the management: it enables AXA to reduce certain operational costs and risks (social and environmental), while providing market opportunities in emerging business segments or driving innovation. Also, sustainability is an increasingly regulated area: in 2021, AXA notably began the implementation of the new European Union Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy regulation (refer to Section 4.3, paragraphs "Climate, biodiversity and ESG-related "outreach" and engagement" and "EU Taxonomy Regulation" of this Annual Report).

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

Since 2020, our sustainability strategy has also been impacted by the unprecedented COVID-19 pandemic crisis: remote work for almost all our employees, AXA's commitment to protect jobs, investments in scientific research, mobilization of staff to support medical frontline helpers, development of telemedicine services contributing to alleviate emergency medical services. AXA was also involved in supporting the economy and the subsequent green recovery with substantial investments.

Stimulated by the crisis to reaffirm its societal values, AXA formulated its purpose to encompass its role in the economy and commitments as a responsible company serving society. Through a collaborative process with external representatives from civil society and a large consultation and involvement from all employees, the proposed purpose was submitted to the Board of Directors of the Group and launched during the Annual Shareholders' Meeting, in June 2020.

AXA's 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 its insurance profession – pooling risks – makes AXA a critical link in mutual support and social ties. The Group understanding of risks enables all its stakeholders to anticipate the future and become more resilient. AXA enables individuals and communities to move forward by protecting their basic needs: environmental protection, access to healthcare, prosperity, and quality of life. We strive to take decisions and commitments based on objective scientific data while looking at things in an inclusive manner.

For more information on AXA's business model, please refer to the Section "Certain preliminary information about this Annual Report", sub-Section "Sustainable value creation".

2021 marks a new stage in AXA's sustainable development strategy

In 2021, we started a new strategic cycle at AXA, with the plan *"Driving Progress 2023"*. Considering both the level of maturity reached and anticipating the acceleration of ESG topics in all the Group's activities, the Management Committee

[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.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.*

[3] *No information, documents or items contained in AXA's 2021 Integrated Report or the 2021 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.*

has decided to dedicate a pillar of its strategy, entitled *"Sustain our Climate leadership position"*, aligned with our purpose – please refer to Section "Certain preliminary information about this Annual Report", sub-Section "Strategic orientations" of this Annual Report. This means that all lines of business are now concerned by this priority. AXA uses various levers related to its expertise and activities to achieve its objectives in this context: investment, insurance, its partnerships and its philanthropic activities, as well as its international footprint.

The framework of AXA Sustainability Strategy has been updated accordingly. It is now focused around 2 priorities: climate change and inclusive protection. Thus, AXA Sustainability Strategy aims to fulfill two main goals: act as a leading force against climate change and expand our health and protection businesses as an inclusive insurer.

To make this new strategic cycle and our purpose concrete for all its stakeholders, AXA has implemented a set of indicators to measure and track its progress in every aspect of its activities: *"AXA for Progress Index"*. Launched in April 2021 during the Annual Shareholders' Meeting, this Index is a set of seven commitments, translated into targets and shared across the Group to further embed sustainable development in our activities: as an investor, as an insurer and as an exemplary company.

2021: AXA For Progress Index

As an **Investor**	As an **Insurer**	As an **Exemplary company**
Reduce the carbon footprint of AXA's portfolio (General Account assets) by 20% by 2025 **Increase AXA's Green investments** to reach €26 billion by 2023	**Strengthen the share of insurance products** with a positive impact on the environment through the guarantees or services offered **Promote inclusive insurance for vulnerable populations**	**Lead transformation by people:** upskill AXA's employees on climate by 2023 **Achieve carbon neutrality:** reduce the carbon footprint of AXA's own operations by 20% (energy, car fleet, business travel, digital) by 2025 & offset the residual emissions

A transversal consolidated indicator: the DJSI / Corporate Sustainability Assessment (CSA) ranking

Specific working groups have been set up with key stakeholders at local entities and Group level to define the action plans to achieve our commitments for 2023 and beyond as some issues require a more long-term view. AXA is currently setting objectives for green insurance and Inclusive Protection products. The results of the seven commitments within the Index will be published on an annual basis.

		Results and Objectives				
Means or key performance indicator for monitoring	**Unit**	**Result 2021**	**Result 2020**	**Result 2019**	**Target**	**Timeline**
Reduce the carbon footprint of AXA's portfolio (General Accounts assets)	t CO_2/EV €m	Calculation in progress [(a)]	66.06	69.84	-20%	2019–2025
Increase AXA's Green investments	€ billion	22.6	16.1	11.7	26	2023
Strengthen the share of insurance products with a positive impact on the environment through the guarantees or services offered	€ billion Revenue	Calculation in progress [(a)]	1.1	n/a	Target in progress	2023
Promote inclusive insurance for vulnerable populations	Million customers	10.6	n/a	n/a	target in progress	2023
Reduce the carbon footprint of AXA's own operations (energy, car fleet, business travel, digital) and offset the residual emissions	t CO_2 eq	84,945	110,017	216,536	-20%	2019–2025
Lead transformation by people: upskill employees on climate by 2023	Share of current permanent employees [(b)]	n/a	n/a	n/a	100%	2023

The DJSI/The Corporate Sustainability Assessment (CSA) ranking	Percentile ranking in DJSI	97^{th}	99^{th}	97^{th}	95^{th} – 99^{th}	Annually

NA: Not Available
(a) The result of this indicator will be available in AXA's 2022 Climate/TCFD Report.
(b) According to SDR scope.

In 2021, the following three key performance indicators were included among the criteria which are used to calculate the performance that determines the acquisition of performance shares to executives and approximately 7,000 employees from AXA Group as a starting point (please refer to Section 3.2 "Executive compensation and share ownership - Shares subject to performance conditions (Performance shares and international performance shares, restricted shares and international restricted shares) - Rules regarding shares subject to performance conditions and performance conditions - Performance Shares"):

- the DJSI/Corporate Sustainability Assessment (CSA) ranking;
- reduction of operational carbon emissions;
- reduction of investment-related carbon footprint (General Account assets).

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

In 2018, the Group developed a strategic framework to identify its commitments to the UN Sustainable Development Goals (17 SDGs – see sustainabledevelopment.un.org) building on its risk analysis expertise. 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 and is still in place for 2021. AXA's purpose captures our commitments towards the SDGs (see paragraph "AXA's purpose entails sustainable value creation" above).

AXA Sustainability Strategy contributes significantly to the 8 following SDGs:

Climate and environment	SDG n°13 – Climate Action	As described in Section 4.3 "Climate Change and ESG Integration - Biodiversity" of this Annual Report AXA is incorporating climate change measures into its policies, strategies, and planning (SDG 13.2). Through 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 risk expert, AXA is active in improving education, awareness, and individual and institutional capacities regarding climate change adaptation, mitigation, and early warning systems (SDG 13.3). The launch of the AXA Climate Academy in 2021 (please refer to Section 4.2 "Employer responsibility" of this Annual Report) has reinforced the contribution to this goal.
	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 manage and protect marine and coastal ecosystems on a sustainable basis (SDG 14.2) and minimize ocean acidification and combat its effects (SDG 14.3). By adhering to the UNPSI-Oceana global declaration, AXA also contributes to effectively regulate fishing, put an end to overfishing and illegal fishing (SDG target 14.4). The Biodiversity action plan is presented in Section 4.3 "Climate Change and ESG Integration - Biodiversity" of this Annual Report.
	SDG n°15 – Life on land	The WWF partnership and the Climate and Biodiversity Impact Fund (described in Section 4.3 "Climate Change and ESG Integration" of this Annual Report) 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 and 2021 strengthening AXA's contribution to SDG 15, notably through €1.5 billion investment in forests (please refer to Section 4.3 "Climate Change and ESG Integration" of this Annual Report)

	SDG n°7 – Affordable and clean energy	AXA "green" investment target of €26 billion by 2023 as described in Section 4.3 "Climate Change and ESG Integration" of this Annual Report contributes directly to significantly increase the share of renewable energy in the global energy mix by 2030 (SDG 7.2).
Social inequalities and inclusion	SDG n°1 – No poverty	AXA Hearts in Action volunteers provide assistance to people living in extreme poverty (SDG 1.1 and 1.2). These actions are described in Section 4.4 "Inclusive insurer" of this Annual Report.
	SDG n°3 – Good health and well-being	AXA's initiatives to exclude the cigarette industry from its investment and insurance activities (refer to Section 4.4 "Inclusive insurer" of this Annual Report) 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 insurer" of this Annual Report) aims at fighting the dual global epidemic of obesity and diabetes (SDG 3.4). In 2020 and 2021, AXA has also focused its efforts on the COVID-19 pandemic (access to vaccination with Covax) and to mental health (these actions are described in Section 4.2 "Employer responsibility" of this Annual Report).
	SDG n°5 – Gender equality	For many years now, AXA has been pursuing a proactive inclusion and diversity policy (described in Section 4.2 "Employer Responsibility" of this Annual Report): ending discrimination against women and girls (SDG 5.1), guaranteeing the equal participation of women in management positions (SDG 5.5). The initiative "Women in Insurance" (described in Section 4.4 "Inclusive Insurance" of this Annual Report) constitutes the "business" component of the program, providing women with adapted financial protection solutions.
	SDG n°10 – Reduced Inequalities	Programs towards inclusion, including "Women in Insurance" initiative and AXA Emerging Customers (described in Section 4.4 "Inclusive Insurer" of this Annual Report) are 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 (SDG 10.2). These programs provide a better access to financial protection for vulnerable communities and reduce protection gaps. AXA philanthropy partnerships and AXA Hearts in action activities also contribute to the reduction of inequalities. These actions are described in Section 4.4 "Inclusive insurer" of this Annual Report.

Sustainability governance & Stakeholder dialogue

AXA has established a solid governance framework to develop and implement its sustainability strategy. Each year, the Compensation & Governance Committee of the Board of Directors reviews this sustainability strategy. It is also presented several times a year to the Group Management Committee for status and decision making.

Across the local entities, a network of Corporate Responsibility Executives oversees the implementation of the sustainability strategy and promotes best practices.

With the start of the *"Driving Progress 2023"* strategic cycle, this governance has evolved in line with AXA's ambition. The "Role in Society Steering Committee" (RISSC), which is co-chaired by the Group Chief Risk Officer, Group Investment Officer, and Group Chief Communication, Brand and Sustainability Officer, has been put in place in June 2020. This Committee ensures coordination across all internal stakeholders in formulating AXA's overall sustainability strategy which it submits to the Group Management Committee for review and approval. In 2021, a new governance body has been set up to ensure the success of the strategic plan: a dedicated Acceleration Team is now in place for ESG, with members of the Management Committee and representatives of Strategy functions and Markets (Europe, Asia). The ESG Acceleration Team is oriented towards the implementation within the entities and the anticipation of next horizon challenges to tackle.

AXA's sustainable business strategy and initiatives are also presented at least once a year to the Company's social partners.

Dialogue with NGOs is also regular through meetings or responses to requests (*e.g.* questionnaires). In addition, AXA participates in more than 50 coalitions, working groups and pledges, gathering both NGOs and public authorities, around climate and inclusion themes (please refer to Sections 4.3 "Climate Change and ESG Integration" and 4.4 "Inclusive insurer" of this Annual Report). External stakeholders are also regularly invited to dialogue sessions with the members of the different governances described above. Through these numerous 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 sustainability risk assessment was updated in 2021 to consider changes in the risk universe. The implemented approach is still based on collaborative work between Risk Management and Corporate Responsibility teams, as well as other involved departments [4]. 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 in the 2021 Future Risks survey, which outlines major prospective emerging risks for society at large (see Section 5.8, paragraph "Emerging risks" of this Annual Report and www.axa.com/en/magazine/2021-future-risks-report). Interests expressed by our internal and external stakeholders are also included. Those risks have also been cross-referenced with the AXA Group Operational Risk Profile (for more information refer to Section 5.7 "Operational risk") and compared to the Corporate Sustainability Assessment (CSA).

These risks are internally assessed by an expert panel. The assessment is conducted, using the Group Operational risks guidelines to rate potential frequency and severity. Impacts of each risk on stakeholders' interests and expectations have been considered. In the first instance, those risks are assessed by Risk experts, identified based on their knowledge of specific sustainability risks. Then, cross-sectoral experts assess the relevance of those ratings during the first stage. Those internal experts are identified based on their transversal knowledge of the non-financial risk universe.

In 2021, the impact of the 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.

The sustainability risk mapping has been approved by the Group Audit Risks & Compliance Committee (the ARCC [5]) with 18 sustainability risks considered as material for AXA.

From this year's update, the following emerged:

- the analysis of climate-related risks was completed with the double materiality perspective [6] for AXA's activities as an insurer, as an investor and as a company, recognizing that climate-related impacts are material and therefore require disclosure (refer to Section 4.3 "Climate Change and ESG Integration" and the sub-Section "Climate Risk: the question of double materiality" of this Annual Report);
- the "Employer responsibility" theme was structured around "Employer of choice and future of work", "Employee development" and "Inclusion and diversity breeding talent and innovation" risks. In 2021, those risks were rephrased to "Safe environment", "Inclusion & Diversity" and "Talent Management/Loss of key staff". The objective was to allow better alignment with the Group Risk Management (GRM) risk analysis.

As a result, 18 sustainability risks were identified as material in 2021 around four main themes:

- **governance:** stakeholders engagement;
- **responsible employer:** safe environment, inclusion & diversity, talent management/loss of key staff;
- **climate change and biodiversity:** AXA's impact on climate change as an investor, impact of climate change on AXA as an investor, AXA's impact on climate change as an insurer, impact of climate change on AXA as an insurer, AXA's impact on biodiversity, AXA's own operations' impact on climate change, impact of climate change on AXA's own operations;

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[4] *Most notably, human resources, Compliance, Consumer protection, Life Savings & Health Standards, Risk & Value, Data protection, Security & Awareness, Vender risk & Responsible procurement, Tax, Reputation, Corporate development, and Communication.*

[5] *The ARCC is a Committee of Senior executives that reviews most material risks at Group level.*

[6] *Double-materiality covers the information needed to understand the impact of the Company on sustainability issues, and the information needed to understand how sustainability issues affect development, performance and position of the Company.*

- **inclusive insurer:** inclusive insurance, partnership & philanthropy;
- **business behavior:** anti-bribery & fight against corruption, business conduct, responsible data use, data privacy, and data security, responsible procurement and tax policy.

In the following chapters, risks are defined, policy and mitigation initiatives are described, and indicators (KPI or qualitative results) exposed. The "*AXA for Progress Index*" framework replaces the correspondence table issued in 2020 focusing on Climate risks that are more specifically monitored as part of the strategic plan *"Driving Progress 2023"* implementation.

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 indexes. 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 Statutory Auditors, appointed as an independent third-party, presents in its report, featured in Section 4.7 of this Annual Report, a moderated 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 responsibility, 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 the perimeters defined below, indicators are fully consolidated, unless otherwise indicated:

Scope of social indicators

The social data provided in Section 4.2 "Employer responsibility" of this Annual Report are collected from 253 active entities of the AXA Group, in which AXA holds, directly or indirectly, management's control, as of December 31, 2021, included in the consolidation scope of AXA.

Scope of environmental indicators

Environmental reporting's scope is based on the same scope as Social reporting except AXA sites with less than 50 FTEs which are not included in the data collection process. These sites are part of an extrapolation process. In 2021, environmental indicators were collected for 94,885 FTEs working on AXA sites (unless otherwise indicated) and were then extrapolated, continent by continent, to cover all 114,749 FTEs (all types of contracts – average annual personnel) working at AXA Group in 2021.

Scope of societal indicators

Our Community Investment Survey, as described in Section 4.4 "Inclusive Insurer" of this Annual Report, covers 99% of AXA's FTEs in 2021.

PERIOD

The indicators cover the period from January 1, to December 31, 2021, unless mentioned otherwise. To facilitate collection and processing, some data may be collected early in the year. The data for any remaining months (maximum 6 months) is then estimated in accordance with the Group's defined methodology.

DATA REPORTING

Social data reporting

The social data provided in Section 4.2 "Employer responsibility" of this Annual Report 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 collection process, as well as evaluations by a third-party body on some legal entities and overall process. A validation process of this reporting is also performed locally. 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 has been collected since 2002, through a dedicated reporting tool filled out by the network of more than 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. The 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 2021, environmental data was collected for 83% of total FTEs, and the remaining 17% has been extrapolated. Reported data is validated locally by the entity CFOs. For more information, please refer to Section 4.3 "Climate Change and ESG Integration" of this Annual Report and to the footnotes of environmental data tables.

Societal data collection

Societal engagement data which is presented in Section 4.4 "Inclusive Insurer – Corporate philanthropy and engagement" of this Annual Report 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

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.

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

USE OF INTERNATIONAL BENCHMARKS

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.

4.2 EMPLOYER RESPONSIBILITY

Foreword

Over the past year, AXA's people and culture have both been decisive in enabling the Group to continue successfully navigating through the pandemic. AXA has continued increasing employee engagement and has accelerated the implementation of its people strategy focusing on empowerment & smart working, employee health & wellbeing and inclusion & diversity.

In 2021 AXA's people and culture strategy focused on:

- protecting the health & wellbeing of AXA employees by providing continued support through the pandemic and implementing *"Healthy You"*, AXA's global health and wellbeing benefits program;
- reinforcing AXA's culture of empowerment through its Smart Working policy that enables every employee to work remotely 2 days a week on average, and provides change support for both managers and employees to adapt to working in a hybrid environment;
- launching the Group-wide *"Inclusion Survey"* in September 2021 to assess employees' perception of inclusion & diversity within the Company. AXA has been a frontrunner both in launching an Inclusion Survey at scale and in committing to capitalizing on this tool to define local and global action plans.

The following pages detail AXA's 2021 achievements in: (i) smart working & hybrid ways of working, (ii) inclusion & diversity, (iii) health & wellbeing and (iv) employee experience & learning and development. AXA is proud to continue engaging and empowering its more than 110 thousand employees who bring its purpose to life in each of AXA's entities. AXA is now well positioned to continue in 2022 to progress in the implementation of its people and culture strategy.

HIGHLIGHT AND KEY FIGURES: GEOGRAPHICAL FOOTPRINT DISTRIBUTION [(a)] AND AVERAGE AGE [(b)]

Continents	Headcount	Distribution	Evolution	Average age
Europe	64,057	58.0%	(+0.4 pt)	43.3
Asia-Pacific	27,932	26.8%	(-1.5 pts)	38.4
Americas	12,035	10.9%	(+0.6 pt)	39.2
Africa	6,453	5.8%	(+0.5 pt)	33.9
TOTAL	**110,477**	-	-	**41.1**

(a) Open-ended and fixed-term contract headcount.

(b) Open-ended contract average age.

AXA's overall salaried workforce on December 31, 2021, was 110,477 employees (open-ended and fixed-term contracts), which represents a decrease of almost 4% compared to 2020. This decrease is mainly due to the disposals of the businesses in the Gulf Region, in Greece, in AXA Bank Belgium and Kamet.

Implementing smart working: AXA's flagship approach to hybrid working

SMART WORKING SUPPORTS AXA'S CULTURE OF EMPOWERMENT

At the beginning of 2020, 38% of AXA's employees had already experienced working in part from home and from the office. With the COVID-19 outbreak in 2020, AXA successfully transitioned to full remote working at scale for all employees. This was thanks to tried-and-tested experience, the previous years' investments in technology and the strong engagement of its teams. To build up a working culture that maximizes its potential and empowers AXA employees while improving their wellbeing, AXA adopted in January 2021 a global Smart Working program combining remote and in-office work across all entities.

Teams in the AXA Group are empowered to define the best combination of remote and in-office work that maximizes its team's productivity, creativity and individual wellbeing. Smart working allows all employees to work an average of two days per week from home.

To foster cultural change and execute AXA's vision to empower its people, a robust change management plan was put into place. In 2021, AXA designed and launched the AXA Managers Academy with the first module focused on developing leadership and role-modelling in a new hybrid working culture. By helping managers adopt the cultural mindset shift and embrace their role as internal influencers, the AXA Managers Academy was at its core designed to equip managers to be effective leaders throughout the transition. To date, over 4,500 managers across 18 entities have benefitted from this social and collaborative learning experience that will continue to be rolled out in 2022.

SMART WORKING: GLOBAL PROGRAM WITH CUSTOMISATION AT ENTITY AND TEAM LEVEL

AXA's Smart Working policy enables every AXA entity to customise the approach to its local market specificities while committing to the same basic principles. At team level, smart working is implemented through team agreements. Every team decides how to best balance remote and office work, to ensure the customer and team's interests are met.

Accelerating AXA progress on inclusion and diversity

IMPLEMENTING THE AXA INCLUSION SURVEY

Furthering inclusion and diversity at AXA will always be a top priority. 2021 marked a major step forward with the launch of AXA's first Inclusion Survey for all Group employees. As inclusion is at the heart of AXA's strategy, this has been set up to be a yearly survey to measure employees' perception of inclusion and diversity. On a voluntary and confidential basis, the survey gives employees the opportunity to identify with one or more of the AXA Inclusion & Diversity pillars: gender, age, origins, LGBT+, disability and mental wellbeing. Much care was taken to ensure that every question respects and reflects the nuances and cultural sensitivities of each country in which the survey was conducted.

AXA is proud to report that the survey had a 56% response rate and that although all questions were optional, 97% of respondents answered every question. 86% of respondents said they feel included, and AXA global inclusion net promoter score (iNPS) [7] reached 37. 16,000 individual comments were also made. Supported by AXA's updated Inclusion & Diversity policy, the results of the survey provide the foundation for local and global action plans.

PROGRESS ON GENDER EQUALITY AND PAY EQUITY

Gender balance in the AXA Global Leadership Network (GLN) has continued its positive trajectory now reaching 36% of women (34% last year). The number of women on AXA's Management Committee has also increased and is now at 21%, up from 15% in 2020. Women in GLN now make up 37% of GLN CEO roles, up from 30% in 2020 and 21% in 2019. While there is still room for improvement, AXA is confident to secure a sustainable path to progress with the succession pipeline now in place, and the renewed recruitment, compensation, and promotion processes. AXA is committed to reaching gender parity amongst the GLN by the end of 2023. All Management Committee members and entity CEOs have objectives with a clear focus on improving gender diversity within their respective organizations.

	Management Committee (a)			Partners group (b)			Global Leadership Network (c)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Women	21%	15%	15%	27%	27%	23%	36%	34%	32%
Men	79%	85%	85%	73%	73%	77%	64%	66%	68%
TOTAL	**14**	**13**	**13**	**45**	**48**	**47**	**243**	**253**	**263**

(a) Please refer to Section 3.1 "Corporate governance structure" of this Annual Report for more information.

(b) The Partners group is composed of the members of the Management Committee and over thirty other senior executives from across the Group. Please refer to Section 3.1 "Corporate governance structure" of this Annual Report for more information.

(c) The Global Leadership Network is made up of CEO and Executive Committees of AXA's largest markets, growth engines and major transversal entities, as well as senior leaders from the corporate functions, markets and some country CEOs.

AXA's definition of *"fair and equal pay"* now goes beyond gender. To ensure every employee is paid equitably based on objective, justifiable and professional criteria and that no discrimination is made on factors irrelevant to one's professional duties, the Group Remuneration Policy and AXA Group Standards signed by every CEO have been accordingly amended.

Back in 2019, AXA set 2023 as the target year to close all pay gaps across all geographies. At the end of 2021, both women and men in AXA GLN are paid higher than the market, based on the benchmark data provided by Willis Tower Watson for each GLN role. Also, significant progress had been made in closing unjustified pay gaps for the rest of the AXA employee workforce. As part of AXA's commitment to removing all unjustified pay gaps, entities are annually monitoring

7 The inclusion Net Promoter Score (iNPS) is measured by asking employees one question, "How likely are you to recommend AXA as an inclusive and diverse workplace?". The answer scale is from 0 to 10, and the iNPS is calculated by taking the percent of promoters (answers of 9-10) and subtracting the percent of detractors (answer of 0-5). The percent of neutrals (answers 6-8) is not counted. This then produces a metric on a scale from (-100) to (+100).

and addressing the situation with dedicated budgets to reach full pay equity by 2023. All relevant processes (recruitment and promotions) are being reinforced to ensure further gaps are not created in the future.

Championing employees' health and wellbeing

IMPLEMENTATION OF AXA *"HEALTHY YOU"* PROGRAM WITH ADDITIONAL SERVICES

In November 2020, AXA launched a global *"Healthy You"* program to improve employees' health and wellbeing. In 2021, this program was extended to include additional care and support services with the objective of fully implementing these by the end of 2023. AXA Group partnered with employee representatives to roll out the program and signed a Charter with its European Works Council.

Across AXA, the *"Healthy You"* program provides a complete in-person medical check-up every four years for all employees aged 40 and above and a digital check-up for all employees every two years. In September, the first global digital check-up campaign was launched and 33,000 employees in 49 countries participated. Global physical health risks have been identified and AXA is now working on an action plan to address these at Group and entity levels.

To promote prevention, every employee now benefits from on-site annual flu vaccinations and participation in *"Health days"* organized to foster awareness and better prevent health-related risks. AXA also provides employees with access to medical teleconsultation services bringing doctors closer to patients. To further support employees affected by critical illness, going forward AXA will offer a second medical opinion service to ensure employees receive the best treatment. In the event of cancer, AXA will provide financial support with a minimum coverage of 75% of medical expenses as well as a psychological assistance service across all geographies. Employees will also find all the information they need in one single place: from benefits and services to their entitlements in their country.

REINFORCING MIND HEALTH SUPPORT

Since 2020, AXA has reinforced its mental health programs for employees. Through *"Healthy You"*, AXA now offers Employee Assistance Programs (EAPs), with 24-hour mental health and psychological support across all geographies. AXA is undertaking to remove the stigma and bias on mental health issues through open discussions and shared stories. Successful initiatives from this past year include mental wellbeing training for managers through LinkedIn Learning modules designed to raise awareness to common conditions and to explain how to provide support. More than 5,500 AXA managers have gone through this training and the program will continue in 2022. Among the other 2021 initiatives, were the dedicated conference on mental health and the *"Walk and Talk"* campaign promoting the benefits of walking while catching-up with co-workers to support health and wellbeing. Another highlight was the Mental Health Leadership Program designed for the Group Partner members (the top 50 leaders) in partnership with Columbia University Mailman School of Public Health. Thanks to these educational sessions, 12 Partners across entities are now ambassadors raising awareness by sharing personal and inspiring stories at global and local events.

Strengthening the employee experience

LAUNCH OF A NEW EMPLOYER PROMISE

Another significant achievement of 2021 was the launch of AXA's new Employer Promise. To become the most inspiring and inclusive employer, increase employee advocacy, and attract top talent, it was essential to convey how AXA is there for its employees and to define what is special about working for AXA. While many organizations rushed to reimagine their employer branding post-COVID-19, AXA was already working on the new promise prior to the pandemic, in line with *"Driving Progress 2023"*. The promise, *"Realize your potential to drive progress"*, and its supporting pillars, *"Grow your potential"*, *"Shape the way you work"*, *"Thrive within a diverse community"*, and *"Move the world forward"*, sprung from internal and external focus groups talking about everyday life across AXA. Together, these helps bring together the wide range of initiatives and policies available to all employees and to provide a framework to propel the transformation of the employee experience across the organization. Supported by a LinkedIn campaign featuring video testimonials from ambassadors across AXA sharing their very stories, the launch was a success.

	2021	2020	2019	2018	2017
eNPS (a) target	37	25	14	0	-
eNPS (a) result	36	35	21	7	(5)

EMPLOYEE COVERAGE	**100%**	**100%**	**90%**	**85%**	**82%**

(a) 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).

2021 also brought into being the new external AI-powered careers' website, with additional CRM features to create a seamless internal employee and external candidate experience. In parallel, AXA France crafted a communication plan for all the entities in France through its 16 digital presences. To attract and recruit the best talents, it put out new tips and tutorials on AXA's mobility platform "MOVE", expert articles on blogs, webcasts, numerous posts, videos and games on social networks. As a result, AXA has acquired over 200,000 followers across social media platforms with 1,100 posts and +25 million impressions for all the entities on the French territories. Moreover, AXA France upgraded its entire applicant onboarding experience this year to provide the right information, at the right time and through the right channel. AXA Mexico initiated *"Perfilando tu Futuro"* to nurture young talents through four programs tailored specifically for its dual students, junior trainees, trainees, and existing employees.

GLOBAL MOBILITY PLATFORM AND CAREER MANAGEMENT PROGRAMS

AXA continues to focus on career development and internal mobility across the Group. In 2021, internal mobility between and within entities was at 8.3%, higher than in 2020. To drive cultural change and provide guidelines to foster an internal mobility that is equally accessible to all, the new *"MOVE"* mobility platform was launched for 30,000 employees in six entities and 40+ countries. As the GIE AXA employees' 50% sign-up rate within the first week attests, the platform has been very well received. Internal mobility continues at the same rate as previous years despite the pandemic, with an average employee tenure between 10 and 12 years.

Learning and development is a top priority

LIFELONG LEARNING FOR ALL

While the pandemic triggered AXA to rethink its approach to learning and development, it also acted as a catalyst for innovation underlining the teams' great resilience, flexibility and agility. The *"learning for all"* ethos remains central to the AXA approach, where every employee has access to learning opportunities in a continuous and self-directed manner, thus empowering all to upskill at scale and speed. For example, LinkedIn Learning, which is available in seven languages with video modules on 16,000 topics, has been available since 2020 to all AXA employees. Over 56,000 employees activated their account and over 42,000 began at least one module in 2021. The adoption of LinkedIn Learning by AXA's entities resulted in an increase of 2.7% in the total number of training days from 2020 to 2021, that is 335,268.7 days in 2020 *versus* 344,195.3 days in 2021. LinkedIn Learning enabling employees to continuously upskill is further enhanced with specific local on-site programs. On average, across the Group, an employee dedicates 3 days a year to development and training.

TRAINING ALL AXA EMPLOYEES ON CLIMATE AND INTEGRATING ESG CRITERIA IN AXA COMPENSATION FRAMEWORKS

As part of its sustainability agenda, AXA has committed that all its employees will complete climate training by the end of 2022. As part of AXA Learning Week in October 2021, AXA launched the AXA Climate Academy, a learning program designed to heighten the awareness and understanding of the science behind climate change, why climate is a growing concern for companies and customers, the main types of climate change risks, and its impact all along the value chain for insurance and investments. It also focuses on how employees can contribute to reducing the Company's carbon footprint through professional and personal practices and behaviours. During the 2021 AXA Learning Week over 11,400 AXA employees joined remotely or in person the global live event *"Real Talk: How climate change has reshaped our insurance business"* broadcast on LinkedIn. More than 14,400 AXA employees were certified at the end of 2021, meaning that they completed all the learning path included in the Climate Academy training.

As part of its *"AXA for Progress Index"* mentioned in Section 4.1 "AXA's sustainability strategy" of this Annual Report and as announced, at the 2021 General Meeting of Shareholders, AXA made some commitments. In addition to its carbon neutrality commitments, AXA has decided to integrate ESG criteria into compensation. By 2023, 30% of achievements will be linked to ESG criteria in all entities with a profit-sharing scheme. The criteria being recommended relates to carbon neutrality and climate change awareness and is quantified by the percentage of employees successfully completing ESG training. Entities are to define their own criteria in function of their profile and local priorities. In 2021, AXA France, GIE AXA, AXA Investment Managers and AXA Partners SAS incorporated criteria linked to climate training in their profit-sharing agreement. AXA France and AXA IM additionally included criteria for carbon emissions reduction.

Employer responsibility performance and social risks mitigation

Reporting on its non-financial social performance allows AXA to monitor and assess how HR policies and practices contribute to mitigating the Group's potential social risks. The three main risks falling within employer responsibility are monitored through key indicators and targets. 2021's results demonstrate the positive impact of HR's efforts in mitigating these risks.

- **Fostering a safe environment**

This risk relates to potential breaches to employees' health and safety including workers' compensation and emerging risks affecting employees. The risk is mitigated thanks to:

- AXA's investment in the *"Healthy You"* program and prevention policy. The sickness absenteeism rate is stable compared to 2020 and lower than in 2019 (from 3.3% in 2019 and 2.8% in 2020 to 3.0% in 2021),
- the fact that AXA has in many entities doctors support with occupational health,
- the significant increase in employee engagement over the years, reaching its highest eNPS score of 36 in 2021,
- AXA Pulse Survey allowing AXA to measure employees wellbeing and connection with dedicated questions,
- the fact that AXA has open and constant social dialogue across entities on those topics.

- **Strengthening inclusion and diversity**

Risk within this area is defined as difficulties encountered in deploying AXA's anti-discrimination policy, especially with regard to gender diversity, equal pay, and the employment of people with disabilities. Mitigation is measured through:

- objective setting to foster diversity: inclusion and diversity are top priorities for leaders as part of their annual objectives. AXA is committed to gender parity at GLN level by 2023,
- AXA's Inclusion Survey: after a successful pilot, this survey will be implemented annually to monitor employees' feedback and refine action plans at entity and Group levels,
- a commitment to fair pay: across the organization, a significant progress has been made in closing unjustified pay gaps and at the end of 2021, both women and men in AXA GLN are paid higher than the market. As part of AXA's commitment to removing all unjustified pay gaps, entities annually monitor and address the situation with dedicated budgets to strive towards full pay equity across all geographies by 2023,
- creating an environment free from harassment. In 2021, AXA took an important step by publishing an AXA Group Policy on Harassment. This policy, supported by AXA leaders and adopted across the Group's entities and geographies, provides a set of principles and behaviours that guide the Group and its employees in their everyday conduct.

- **Supporting career development and employee mobility**

Managers and HR devoting time to recognize and nurture employee development and to motivate and retain talent while, in parallel, improving internal mobility across the Group.

Mitigation is measured through:

- the Group's investment in learning represented more than €77.5 million in 2021. This investment supports AXA's commitment to developing and training all its people at least once a year which has been achieved for the past 3 years. On average, across the Group, an employee dedicates 3 days a year to development and training,
- AXA continues being attentive to career development and internal mobility across the Group. In 2021, internal mobility between and within entities stood at 8.3%, higher than in 2020,
- internal mobility continues with an average tenure of employees between 10 and 12 years, the same rate as previous years, despite the pandemic.

Group Social Indicators

Workforce Structure [a]	2021		Evolution	2020		2019	
Total headcount of salaried workforce as of December 31	**110,477**	**emp.**	**-3.6%**	**114,625**	**emp.**	**120,869**	**emp.**
Headcount of salaried workforce with fixed-term contract	4,349	emp.	+0.05%	4,347	emp.	5,799	emp.
Headcount of salaried workforce (open-ended contract only)	106,128	emp.	-3.8%	110,278	emp.	115,070	emp.
▪ Proportion of All Executives [b]	1.9	%	-	2.7	%	2.8	emp.
▪ Proportion of all Professionals	45.6	%	-	43.1	%	43.6	emp.
▪ Proportion of Associates	52.5	%	-	54.1	%	53.5	emp.
Women representation	**54.1**	**%**	**+1.1 pts**	**53.5**	**%**	**53.6**	**%**
▪ Proportion of Executives women	33.3	%	+1.5 pts	31.7	%	30.9	%
▪ Proportion of all Professional women	46.2	%	+0.6 pt	45.6	%	46.1	%
▪ Proportion of Associates women	61.6	%	-	60.9	%	60.9	%
Average Full-time equivalent (headcount converted into full-time equivalent) of salaried workforce	**103,985.2**	**FTE**	**-3.7%**	**107,998.9**	**FTE**	**110,701.9**	**FTE**
▪ Average FTE of salaried non-sales force	89,269.3	FTE	-	92,356.8	FTE	94,558.6	FTE
▪ Average FTE of salaried sales force	14,715.9	FTE	-	15,642.1	FTE	16,143.3	FTE
Average FTE of temporary non-salaried staff	**13,564.5**	**FTE**	**+40.9%**	**9,623.9**	**FTE**	**10,634.8**	**FTE**
▪ Non-salaried temporary staff and contingent workers	10,763.5	FTE	-	6,802.6	FTE	7,594.0	FTE
▪ Trainees/Apprentices	2,801.1	FTE	-	2,821.3	FTE	3,040.8	FTE
Employee Profile							
▪ Average age of salaried workforce	41.1	yrs	+0.6%	40.9	yrs	40.5	yrs
▪ Average length of service of salaried workforce	10.6	yrs	-	10.6	yrs	10.3	yrs
▪ Average number of working days per year	226.8	days	-0.3%	227.4	days	226.7	days
▪ Proportion of part-time salaried workforce	9.4	%	-	9.5	%	9.3	%
▪ Proportion of Teleworkers	75.5	%	-	52	%	32	%
Number of employees with disabilities – concerns entities operating in France only	**776**	**emp.**	**-**	**727**	**emp.**	**760**	**emp.**

(a) The rates and ratio within this section are the Headcounts as of December 31 of the reporting year.

(b) A global and consistent definition of Executives was implemented in 2021, resulting in a reduction of the global Executives population.

Workforce Dynamics [a]	2021		Evolution	2020		2019	
Movements of salaried workforce: net headcount evolution (entries *versus* departures)	**(4,130)**	**emp.**		**(4,640)**	**emp.**	**(8369)**	**emp.**
Entries	14,142	emp.	+22.8%	11,516	emp.	17,199	emp.
■ Number of external recruitments (incl. Rehires)	12,508	emp.	-	10,329	emp.	15,170	emp.
■ Number of fixed-term contracts transformed into open-ended contracts	1,517	emp.	-	1,163	emp.	1,968	emp.
■ Number of entries following external mergers and acquisitions	117	emp.	-	24	emp.	61	emp.
Departures	18,272	emp.	+13.1%	16,156	emp.	25,568	emp.
■ Number of resignations	10,597	emp.	-	7,840	emp.	11,521	emp.
■ Number of economic/collective layoffs	1,266	emp.	-	1,253	emp.	1,330	emp.
■ Number of individual layoffs	1,611	emp.	-	1,845	emp.	2,145	emp.
■ Number of retirements/pre-retirements	1,474	emp.	-	1,549	emp.	1,498	emp.
■ Number of departures due to external transfers	3,135	emp.	-	3,473	emp.	8,860	emp.
■ Number of other departures	189	emp.	-	196	emp.	214	emp.
Internal mobility rate of salaried workforce	**8.3**	**%**	**+0.6 pt**	**7.7**	**%**	**8.2**	**%**
Turnover rate of salaried workforce	**14.1**	**%**	**+2.7 pts**	**11.4**	**%**	**15.0**	**%**
■ Involuntary (layoffs/dismissals)	2.7	%	-	2.8	%	3.1	%
■ Voluntary (resignations)	9.9	%	-	7.1	%	10.4	%
■ Other reasons (pre/retirements and miscellaneous)	1.5	%	-	1.6	%	1.5	%

(a) External transfers: salaried workforce who have left AXA because of an activity/job transfer to an external company or due to disposal ol businesses, are no longer under a contract with AXA.
The rates and ratio within this section are the Average Headcounts of the reporting year.

Compensation, absenteeism and training [a]	2021		Evolution	2020		2019	
Compensation cost of salaried workforce	**7,999.9**	**M€**	**-1.8%**	**8,145.6**	**M€**	**8,151.6**	**M€**
▪ Proportion of fixed pay (related to wages)	80.7	%	-	81.3	%	81.2	%
▪ Proportion of variable pay (related to wages)	19.3	%	-	18.7	%	18.8	%
Absenteeism rate of salaried workforce	**4.4**	**%**	**+0.3 pt**	**4.1**	**%**	**4.7**	**%**
▪ Sickness absenteeism rate	3.0	%	-	2.8	%	3.3	%
▪ Work-related accidents absenteeism rate	0.0	%	-	0.1	%	0.1	%
▪ Maternity/paternity leave absenteeism rate	1.4	%	-	1.2	%	1.3	%
Number of training days of salaried workforce	**344,195.3**	**days**	**+2.7%**	**335,268.7**	**days**	**362,448.3**	**days**
Average number of training days per salaried workforce	3.2	days	-	3.0	days	3.2	days
▪ Average number of training days per salaried non-sales force	2.7	days	-	2.4	days	2.7	days
▪ Average number of training days per salaried sales force	6.5	days	-	6.5	days	6.1	days
Percentage of salaried workforce having received at least one training course	100	%	-	100	%	100	%
Training cost of salaried workforce	**77.5**	**M€**	**+9.4%**	**70.9**	**M€**	**91.9**	**M€**

(a) 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).
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: such as (1) the external trainer cost and external instructional designer, (2) the external annual licensing for on the shelves e-learning content, or external unitary cost of acquisition of e-learning modules, (3) the logistics cost; and internal costs: such as (1) The salaries/wages of internal Learning and Development teams employees, and (2) the Learning Management System cost.

4.3 CLIMATE CHANGE AND ESG INTEGRATION

As described above in the Sections 4.1 "AXA Sustainability strategy" and "Certain preliminary information about this Annual Report – Sustainable value creation" of this Annual Report, 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, as an investor and as an exemplary company. This Section covers all three dimensions and provides a broader view on the ESG integration process across the activities of the AXA Group.

In 2021, the impacts of AXA as an investor and as an insurer on climate change are identified as two of the main sustainability risks as described in Section 4.1 "AXA Sustainability strategy – Sustainability risk assessment". AXA has developed several policies and defined indicators to track its progress in reducing negative impacts.

AXA follows the guidance of the voluntary disclosure recommendations of the "Task Force on Climate-related Financial Disclosures" (TCFD) [8], which focus exclusively on climate factors and the mandatory disclosure requirements set out in the French decree implementing Article 29 of Law No. 2019-1147 of November 8, 2019 regarding Energy and Climate or any of its implementing measures, which focuses more broadly on ESG. This is why the text below extends beyond purely environmental factors. Furthermore, this text is an overview of AXA's more detailed annual "Climate/TCFD Report" [9], to be published on www.axa.com in the second quarter of 2022.

[8] *https://www.fsb-tcfd.org*

[9] *No information, document or item contained in AXA's annual "Climate/TCFD Report", or available on the Company's website in connection with AXA's annual "Climate/TCFD Report", is incorporated by reference in this Annual Report.*

AXA's position on climate change and biodiversity

Insurers are well positioned to mitigate climate-related risks. They have claims loss data, as well as models and tools to analyze and conduct forward-looking approaches. Their core business involves disseminating knowledge about new risks and creating adequate insurance products and investment policies. Finally, through their significant investments, they send the right signals to the investment community and to the specific companies they invest in.

The COP21 Paris Agreement sets out a global framework to reach "net-zero" carbon emissions by 2050 in order to limit global warming to well below +2°C and pursue efforts to limit it to +1.5°C above pre-industrial levels during this century.

As part of the strategic plan *"Driving Progress 2023"* (please refer to Section "Certain preliminary information about this Annual Report", sub-Section "Strategic orientations" of this Annual Report), AXA's climate strategy, which includes biodiversity as an extension of its climate efforts, features the following developments:

- the development of a "warming potential" concept for its investments, aligned with a +1.5°C trajectory by 2050. This long-term target is complemented, since December 2020, by an intermediate -20% investment-related carbon footprint target between 2019 and 2025 (part of the "AXA for Progress Index");
- a green investment target of €24 billion by 2023 and increased in 2021 to €26 billion, to make use of new opportunities in this field (part of the "AXA for Progress Index");
- the launch of the "Transition Bond" asset class, with two issuances of €100 million each in 2019 and 2020;
- an exit from the coal industry backed by strict investments and underwriting restrictions, as well as on other carbon-intensive industries;
- a commitment to address biodiversity loss through investment and underwriting policies;
- a target to reduce its direct environmental footprint by 20% between 2019 and 2025 and achieve carbon neutrality for its operations in offsetting the remaining emissions (part of the "AXA for Progress Index").

In addition, in the autumn of 2021:

- the AXA Climate Academy was launched to train employees (part of the "AXA for Progress Index" – please refer to Section 4.2 "Employer responsibility" of this Annual Report);
- the AXA Group reinforced its energy policy with a specific focus on new oil "greenfield" explorations and unconventional activities, and an alignment of climate and biodiversity ambitions;
- new biodiversity commitments were announced, by implementing a plan to fight against the deterioration of forest and ocean ecosystems, investing €1.5 billion to support sustainable forestry management.

Achieving the objectives of the COP21 Paris Agreement requires a whole economy transition. To this end, the Glasgow Financial Alliance for Net Zero (GFANZ) [10] was launched in April 2021, ahead of COP26. This global coalition of leading financial institutions brings together "net-zero" finance initiatives in the UN-backed "Race to Zero" committed to accelerating the decarbonization of the economy. As of November 2021, GFANZ membership includes more than 450 financial firms, including AXA, from 45 countries, responsible for assets of over US$130 trillion of private capital committed to transforming the economy for "net-zero" [11].

In addition, AXA leverages its full expertise as an investor and as an insurer to accelerate the transition to a "net-zero" global economy, as a founding member of the Net-Zero Asset Owner Alliance (NZAOA – please refer to Section "Investments – Climate-related portfolio alignment" below) [12], as Chair of the Net-Zero Insurance Alliance (NZIA – please refer to Section "Insurance" below) since February 2021, and a signatory of the "Net Zero Asset Managers Initiative" (NZAMI) [13].

Climate risk: the question of double materiality

It is now widely accepted within financial markets that the potential impacts of climate change on a company can be material and therefore require disclosure. Conversely, a company can have a material impact on climate change. This is the concept of double materiality. The impact of climate change on AXA and AXA's impact on climate change are identified as main sustainability risks in 2021 as described in the Section 4.1 "AXA Sustainability strategy – Sustainability risk assessment" of this Annual Report.

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[10] *https://www.gfanzero.com/*

[11] *https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/*

[12] *https://www.unepfi.org/net-zero-alliance/*

[13] *https://www.netzeroassetmanagers.org/*

Climate change may have a negative impact on AXA's assets and investment activities as well as on AXA's liabilities and insurance activities. Assessing the risks related to climate change is a priority for AXA as part of its internal Risk Management framework. It supports and enriches AXA's overall understanding of climate-related risks and enables the development of climate scenario analyses.

Indeed, Risk Management frameworks require being adapted to climate risk specificities. Insofar as climate change risks arise over medium to very long-term periods, their trajectories and impacts are particularly uncertain. Moreover, changes in climate will generate structural changes with broad effects on the economic and financial activities that are not fully reflected in historical data. In this respect, scenario analysis and stress testing based on different trajectories of future climate, macro-economic and financial conditions might be relevant tools to conduct forward-looking assessment of potential vulnerabilities and opportunities related to climate change risks.

While it still raises many challenges, the development of climate scenario analyses and stress testing has been accelerating, particularly through the "pilot climate exercise" launched in June 2020 by the ACPR [14]. AXA has actively contributed to this exploratory exercise and sees the use of climate scenario analysis as an opportunity to further understand the long-term implications of climate change on its investment portfolios and insurance business. Through this cooperation with supervisory authorities and industry peers, AXA aims to improve the methodological framework to better address climate change risks.

As part of AXA's ORSA (Own Risk and Solvency Assessment), the ACPR scenarios have been supplemented to better reflect AXA's own risk profile. In particular, Property & Casualty (P&C) physical risks have been assessed through modular approaches (from simple to sophisticated modeling) allowing to encompass the three drivers of natural risks (changes in hazard, exposure, and vulnerability) and assess worldwide potential impacts (*i.e.* evolution of Modelled Average Annual Losses (AAL) of forward-looking scenarios in a range of uncertainty (pessimistic *versus* optimistic views).

Based on representative risks of the Group (flooding in Europe, hurricanes in the U.S.A., urban atmospheric pollution and vector-borne diseases in France, climate-related financial risks), the estimated impacts using ACPR and AXA's ORSA scenarios are relatively limited:

- investments: low impact of financial market scenarios given the low exposure to carbon-intensive sectors of AXA's portfolio (General Account assets) and considering the first results from the ACPR pilot stress tests;
- Property & Casualty (P&C) business: due to AXA's worldwide footprint of exposures creating a high natural diversification, evolution of AXA P&C natural catastrophes ("NatCat") claims remain mainly driven by changes in AXA's future underwriting strategy (demographical evolution, wealth growth) rather than the hazard increase by itself;
- Health & Protection: ACPR's climate pilot exercise showed that the main impact stems notably from higher mortality due to the deterioration of air quality. Based on AXA's ORSA urban pollution scenario, the increase of death guarantees related claims between 2020 and 2050 are deemed very moderate.

AXA has already started exploring the potential impacts of climate change on its investments by leveraging a model developed by Carbon Delta MSCI (applicable only to corporate assets, and not to sovereign debt) where risks and opportunities are combined and translated into a "Climate Value-at-Risk" indicator (*nota bene:* the term used in the 2020 Annual Report was "Cost of Climate" – please refer to AXA's annual "Climate/TCFD Report" and to the Section "Investments" below).

Beyond this approach, AXA seeks to prevent or mitigate its adverse impacts on climate change as an investor and as an insurer, namely by:

- applying its analytical framework to identify its potential impacts on climate and incorporating ESG (including those related to climate) into its business processes as well as into its investment strategy;
- committing to align its investments and underwriting activities with the COP21 Paris Agreement, to limit the "warming potential" of +1.5°C above pre-industrial levels by 2050;
- implementing policies in its investments and underwriting activities for sectors that are particularly sensitive from an ESG perspective (including on climate);
- developing green investments and transition financing;
- offering customers insurance solutions that promote environmentally friendly behavior;
- developing active stewardship.

These policies and initiatives are described in the Sections "Investments" and "Insurance" below.

[14] *Similarly, the Bank of England and the "Prudential Regulation Authority" (PRA) ran their "Climate Biennial Exploratory Scenario" (CBES) exploratory exercise in 2021 with the objective of testing the resilience of current business models of the largest banks and insurers to the financial risks associated with climate change.*

Investments

DEFINITIONS AND GOVERNANCE

AXA defines Responsible Investment (RI) as the integration of Environmental, Social and Governance (ESG) considerations into investment processes, including ownership practices. AXA's 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 its 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. AXA actively pursues 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, Sustainability, Risk Management and Communication teams. 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 (please refer to Section 4.1 "AXA Sustainability Strategy – Sustainability governance & Stakeholder dialogue" of this Annual Report). 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 Sustainability 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). The policy's six pillars are as follows:

- **ESG integration:** AXA integrates ESG analysis into investment processes, using KPIs and qualitative research across most assets;
- **climate-related investment portfolio alignment with COP21 Paris Agreement objectives:** Carbon metrics are integrated into investment decisions. AXA continues to develop metrics for measuring the climate-related impact of its investments, in particular the contribution of its 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's website (www.axa.com/en/about-us/responsible-investment) and currently include: controversial weapons; coal mining and coal-based power generation; oil & gas; ecosystem conversion and deforestation; 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 Investment Managers and its multi-asset manager Architas are signatories of the UN-backed principles for Responsible Investment (UN PRI).

ESG integration

AXA integrates the analysis of ESG criteria (including those related to climate) into investment processes and steers the ESG performance of its investments. In 2021, AXA strengthened its ESG scoring methodology. Previously, AXA combined data from three providers. AXA has now adopted a single-provider ESG scoring model which is coupled with an overlay of AXA Investment Manager's own analysis. Entitled Q², this new enhanced qualitative and quantitative approach offers increased coverage as well as fine-tuned fundamental analysis. AXA's ESG framework provides scores per asset class, KPIs (such as the carbon footprint) and qualitative research across most of its assets. ESG integration is coordinated centrally, with active input from Asset Management teams (portfolio managers, fund managers and analysts) that include ESG metrics in their investment analysis across asset classes and regions. This includes ESG "minimum standards" based on ESG scores and controversies to review and potentially exclude underperforming issuers from AXA's portfolios. This framework covers AXA's General Account assets (sovereign and corporate bonds, equity, real assets (direct property, infrastructure debt and equity, and commercial real estate loans)):

- **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.

In addition, ESG considerations as well as the transparency of the issuers are integrated in the internal credit risk analysis.

Finally, "carbon footprinting", which is applied to AXA's 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 investment portfolio alignment

As described in the Section 4.1 "AXA Sustainability strategy – Sustainability risk assessment" of this Annual Report, AXA has identified the impact of climate change on AXA's investments and the impact of AXA as an investor on climate change as two main sustainability risks. Climate change risks are usually understood to comprise these two main risk drivers [15] [16] impacting companies' valuation and profitability:

- **"transition risks":** transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations. The "transition risk" can be measured in financial risk terms (in euros) or purely "climate impact" terms (in temperature rise);
- **"physical risks":** resulting from climate change, those risks can be event-driven (acute) or longer term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.

To manage these risks, AXA is progressively evolving its investment portfolios by integrating carbon metrics into its internal decision-making processes. While various metrics exist, such as the "warming potential" and carbon footprint described below, more convergence is currently needed. AXA's contribution to supporting methodology convergence is developed in AXA's annual "Climate/TCFD Report".

CLIMATE VALUE-AT-RISK: CLIMATE RISK ON AXA'S CORPORATE CREDIT INVESTMENTS

In 2021, AXA leveraged a model developed by Carbon Delta MSCI for its corporate assets only, based on:

- **"transition risks" (or "regulation") risks:** the low carbon transition, both *via* market and regulated evolutions, may significantly impact business models. This will likely create economic losses in the form of "regulation costs" for those who fail to adequately adapt. "Transition risks" for each company represent how much a reduction of their CO_2 emissions by 2030 (the NDC [17] horizon) will cost them, relying notably on their sector/activities and on the countries where they operate. It is expressed as a proportion of revenues negatively affected by this cost;
- **"physical risks":** for each company, the costs of potential future extreme weather events (five "chronic" hazards – extreme heat, extreme cold, heavy precipitation, heavy snowfall, wind gust – and three "acute" hazards – coastal flooding, fluvial flooding, tropical cyclones) by 2030 [18] is assessed (*via* asset damages and business interruption), relying on their activities and location, and combined with expected vulnerability factors. This is also expressed as a proportion of revenues negatively affected by this "cost";
- **"green revenues":** for each company, the revenues future green technologies developments by 2030 [4] will generate for the Company are assessed, using company-level patent databases to estimate future revenue flows from green and low carbon technologies. While certainly not the only factor to be considered to estimate future "green revenues", a

[15] *Source: European Central Bank.*

[16] *Corporations might also be exposed to liability risks stemming from legal claims to compensate losses due the physical or transition risks. Risks associated with climate change litigations are among the emerging risks monitored and assessed by Group Risk Management.*

[17] *The estimations of greenhouse gas emission reductions of carbon intensities are based on "Nationally Determined Contributions" (NDCs) for the time horizon 2030 but the risks and opportunities linked to the "Climate Value-at-Risk" are calculated over 15 years.*

[18] *Ibid.*

statistically relevant correlation has been established between "green patents" and "green revenues". This third KPI is expressed as a proportion of revenues that are "green".

The combination of the aforementioned items translates into a "Climate Value-at-Risk" indicator [19]. According to this methodology, the loss of turnover for companies AXA invests in, notably due to regulation costs and extreme weather events losses, represents an aggregated cost of 7.4% of AXA's market value investments at end of 2020, which can be described as a "Climate Value-at-Risk". These losses have increased since the previous year as the methodology, similarly to the "warming potential", now includes Scope 3 emissions [20]. Although currently AXA does not leverage this complex and evolving KPI in its day-to-day investment decisions, this metric provides insight on the possible climate-related financial risks that may be incurred by investors should its underlying assumptions suddenly occur (for additional information, please refer to AXA's annual "Climate/TCFD Report" for more information).

"PHYSICAL RISKS": CLIMATE IMPACTS ON AXA'S REAL ASSETS PORTFOLIO

In addition to the aforementioned "Climate Value-at-risk" for its corporate credit investment portfolio, 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, windstorms and hail on buildings assets.

AXA's "physical risks" 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, hail) and a geolocalized 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 every building/infrastructure. According to in-house risk modelling, the financial impacts of climate-related "physical risks" on these assets appears limited.

Moreover, for corporate bonds and equities, the costs of "physical risks" have been assessed by modelling the expected financial impacts of extreme weather events on companies' physical assets. The "physical risks" cost estimates factor in vulnerability to business interruption risk and asset damage, based on the exposure of facility locations to extreme weather events.

"WARMING POTENTIAL": IMPACT OF AXA'S INVESTMENTS ON CLIMATE

In 2021, AXA continued its investigation of the concept of an "investment temperature" to develop its knowledge of the impact of AXA's investments on climate change (climate impact). This approach labelled "warming potential" in Carbon Delta MSCI's methodology, captures the climate-related aspects of a company's activities, including its direct and indirect greenhouse gas emissions, technology developments, and "green revenue" opportunities. This is derived from the carbon intensity alignment of each company relative to the sectoral carbon intensity target needed to reach the global climate target of the COP21 Paris Agreement. This produces a "warming potential" indicator per company and sector, and ultimately for AXA's investments.

TCFD-related modelling shows that AXA's investments (corporates and sovereigns) had a +2.7°C "warming potential" at the end of 2020 [21]. This is below the benchmark of +3.21°C but nonetheless shows that investors are operating in a carbon-intensive economy that is not aligned with the COP21 Paris Agreement. A vast energy transition effort is required. All companies must evolve, and we believe it is incumbent on investors to identify and support relevant transition strategies.

CARBON FOOTPRINT

Since 2016, AXA strives to translate international climate objectives derived from the COP21 Paris Agreement into quantitative investment targets. These efforts are reflected in its engagement within the Net-Zero Asset Owner Alliance (NZAOA).

Since 2019, AXA is part of the NZAOA, a coalition of institutional investors (insurers, pension funds, etc.), convened under the auspices of the UN Principles for Responsible Investment, and launched during the September 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.

A carbon footprinting approach was chosen by NZAOA members as emissions reporting methodologies are currently considered more robust, and data availability is higher. As part of its participation in the NZAOA, AXA commits to publish intermediate targets every five years to track progress towards "net-zero" by 2050.

In December 2020, AXA announced its "intermediate target", a 20% reduction in the carbon footprint of AXA's General Account assets between 2019 and 2025 (*e.g.* aggregated 20% reduction across corporate debt & equity excl. emerging

[19] *These figures may not be compared with those disclosed in AXA's 2020 "Climate/TCFD Report". Here also, methodology changes have occurred.*

[20] *AXA depends on the availability and reliability of data. In this respect, AXA is working with its external partners, such as Carbon Delta MSCI, to progressively better take into account Scope 3 emissions in carbon metrics.*

[21] *The "warming potential" at the end of 2021 will be available in AXA's 2022 Climate/TCFD Report.*

market issuers and entities; and real estate assets where possible), using the NZAOA 2025 Target Setting Protocol. Per this protocol:

- carbon intensity has been identified as a useful tool for the decision-making process towards decarbonizing investment portfolios and for monitoring progress of carbon emissions;
- the Enterprise Value (EV) approach is recommended to companies invested in equity portfolios and corporate bonds, enabling allocation of emissions to the relevant parts of their balance sheet.

This explains why the carbon footprint target set by AXA is measured and tracked with a carbon intensity-based metric, expressed in t.eq.CO_2/EV €million (normalized per Enterprise Value). In 2021, AXA has worked on including financial issuers in data to be aligned with the scope defined by the NZAOA members. According to this reporting methodology, the carbon footprint of AXA's investment portfolio (General Account assets) decreased by 5.4% between 2019 and 2020 (coming down from 69.84 tCO_2/EV €m in 2019 to 66.06 tCO_2/EV €m in 2020).

This target is part of the "AXA for Progress Index" and is presented in further detail in the annual "Climate/TCFD Report".

Exclusions and sensitive ESG investments

Certain activities and products are deemed to be inconsistent with AXA's climate strategy and broader sustainability goals. In this context, AXA has developed over time specific "sector guidelines" that seek to address those issues and entities are required to annually certify their compliance therewith. These guidelines are applicable to investments and underwriting activities (please refer to Section "Insurance" below).

These currently include the following sectors:

- coal;
- oil & gas (please refer to Section "Climate-related exclusions: coal and oil & gas" below);
- "controversial weapons" manufacturers that are banned by international conventions (antipersonnel landmines, cluster munitions/cluster bombs chemical, biological and depleted uranium weapons, nuclear weapons proliferation);
- tobacco manufacturers, whose products conflict with AXA's role as one of the world's largest health insurers;
- ecosystem conversion and deforestation, Natural World Heritage Sites (applicable to underwriting activities only – please refer to Section "Biodiversity" below);
- soft commodity derivatives which may be responsible for inflating the price of basic food commodities (applicable to investments only).

These policies are published on AXA Group's website (www.axa.com/en/about-us/responsible-investment).

Since 2007, AXA's investment restrictions have applied to approximately €7.5 billion of assets, including listed equity assets, with any related corporate bond holdings being left in run off (no new direct investments). The remaining exposure to applicable policies in AXA's portfolio amounted to less than €400 million at the end of 2021. These figures will evolve with the entry into force in 2022 of the following policies: oil & gas (please refer to Section "Climate-related exclusions: coal and oil & gas" below), ecosystem conversion and deforestation, Natural World Heritage Sites (applicable to underwriting activities only – please refer to Section "Biodiversity" below).

CLIMATE-RELATED EXCLUSIONS: COAL AND OIL & GAS

From the start, AXA adopted a balanced approach to contribute to the transition towards a more sustainable and less carbon-intensive economy. Carbon emissions 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

Coal is by far the most carbon-intensive form of energy and as such coal-based power generation is seen as the industry the most at risk 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 its new entity AXA XL in 2018. In November 2019, this approach was amplified and complemented with a long-term perspective [22].

AXA 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;

[22] *https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com/7c51bab4-4266-42b6-aa8a-a6b209°e6°33_2019ClimateStrategy.pdf*

- 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, 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 its investments and underwriting activities (please refer to Section "Insurance" below).

The database used since 2017 is the "Global Coal Exit List" (GCEL) [23].

Oil & gas

Since 2017, AXA has divested from oil sands-related businesses (defined as companies deriving more than 20% of their revenue from oil sands, including pipeline operators).

In 2021, AXA revised its Oil and Gas policy [24] driven by two principles:

- AXA believes it is critical to accelerate the transition of the energy sector towards a more sustainable model, consistent with "net-zero" trajectories. This transition can only happen by enabling Oil and Gas companies to implement ambitious transition plans. AXA's role, as a financial and underwriting player, is to focus its support to the Oil and Gas companies with the most far-reaching and credible transition plans;
- despite significant differences between investment and underwriting when it comes to decarbonizing its activities, AXA will continue to strive for progressive alignments between its decisions as an asset owner and as an underwriter.

As an asset owner, AXA has stopped investing in new upstream oil greenfield exploration projects unless they are carried out by companies with the most far-reaching and credible transition plans. AXA excludes all new direct investments in listed equities and corporate bonds in developed markets in Oil and Gas companies operating in upstream and/or oilfield services and/or downstream subsectors, as well as midstream players. AXA selects integrated Oil and Gas companies for investments based on a restrictive selection process. Less than 5% of the approximately 650 companies identified in the "Global Oil and Gas Exit List" by NGO Urgewald [25] meet AXA's criteria.

Furthermore, AXA reduces its investment exposure to unconventional exploration and production, as follows:

- Arctic: AXA extends the scope of its investment restrictions to the Arctic Region (in alignment with the Arctic Monitoring and Assessment Programme (AMAP)). Only companies with Norwegian operations in the AMAP Region will be maintained, given their high environmental standards and lower operational carbon footprint. AXA will exclude new direct investments in companies deriving more than 10% of their production from the AMAP Region or producing more than 5% of the worldwide volume of AMAP-based Oil & Gas;
- oil sands: on top of the existing restrictions in place, AXA will adopt a more stringent policy by ceasing direct investments in companies producing more than 5% of the worldwide volume of oil sands;
- fracking/shale Oil and Gas: AXA will no longer directly invest in companies deriving more than 30% of their production from fracking/shale Oil and Gas;

The main database used is the "Global Oil & Gas Exit List" (GOGEL) [26] released in 2021.

A green investment target and transition financing

GREEN INVESTMENTS

AXA strives to support the transition to a low-carbon economy by supporting companies shifting towards less carbon-intensive business models and by increasing the allocation of "green" assets across various asset classes. To support its green investment strategy, AXA has developed an internal framework to define "green" investments based on external labels, certifications and environmental standards as appropriate. Green investments are defined as: green bonds, infrastructure debt & equity, impact investments, real estate, and commercial real estate loans. AXA's green investment strategy is further developed in AXA's annual "Climate/TCFD Report". In addition to "temperature" targets and divestments, green investments encourage various sectors to strengthen their climate strategy.

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23 *https://coalexit.org/*

24 *https://www.axa.com/en/press/press-releases/axa-extends-its-oil-and-gas-exclusions-to-support-the-energy-transition; https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com/dfa080ca-e1c5-4851-8a40-5d3c1°9de78d_axa_energy_policy_oil_and_gas_industry_2021.pdf*

25 *https://urgewald.org/english. As AXA's Oil & Gas policy was released before the final version of the Global Oil and Gas Exit List in November 2021, AXA refers to a provisional version of this list.*

26 *https://gogel.org/*

In November 2019, AXA committed to invest €24 billion in green investments by 2023. In 2021, this target was increased to €26 billion following a €1 billion Green Bond issuance by AXA SA [27] in April and a €1 billion commitment to intensify its investments in green and low-carbon energies [28] in October. In December 2021, AXA's green investments reached €22.6 billion (€16.1 billion end of 2020).

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 Investment Managers (AXA IM) has worked to develop the concept of "transition bonds". In November 2019, AXA announced the launch of a first €100 million "transition bond" in partnership with Crédit Agricole CIB [29]. In 2020, AXA announced a second transition bond of €100 million in partnership with BPCE [30]. 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 €922 million to impact investing, with the value of the invested amount standing at €418 million at September 30, 2021. In 2021, AXA approved a new "Natural capital" target (please refer to Section "Biodiversity" below). AXA also launched a new Fund dedicated to Health and Inclusion (please refer to Section 4.4 "Inclusive insurer").

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 Investment Managers (AXA IM) on behalf of the AXA Group and third-party clients. Climate change is one of the most material themes for which AXA conducts engagement. AXA's key climate engagement objectives and indicators are detailed in AXA's annual "Climate/TCFD Report".

On behalf of the Group, 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. In the specific case of coal, AXA notably encourages the transition through active shareholder engagement, as an investor, and client communication, as an insurer, with the concerned companies in order to encourage them to develop and disclose an exit or closure plan.

In 2021, AXA IM reinforced its stewardship policy with a focus on climate laggards [31]. From 2022, AXA IM will engage with a selection of companies which do not have net-zero commitments, or have quantified emissions reduction targets deemed to be not credible or demanding enough. This more forceful engagement policy, with a "three strikes and you're out" principle, aims at applying sufficient pressure to effect timely change, and is applied on behalf of third party clients. Clear objectives are defined for each of those companies, tailored to their activities, and communicated to their management. AXA IM will regularly engage with those companies to steer them to achieve progress on those objectives, using escalation techniques when necessary (*e.g.* voting against management). If the objectives have not been achieved after three years, AXA IM will divest.

Voting at General Meetings is performed in favor of environmental, climate-related, social and governance issues including sustainability disclosures.

For more information, please refer to AXA IM's annual Active Ownership and Stewardship report [32].

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[27] *https://www.axa.com/en/press/press-releases/axa-announced-the-successful-placement-of-Euro-1-billion-of-subordinated-green-bonds-due-2041*

[28] *https://www.axa.com/en/press/press-releases/axa-extends-its-oil-and-gas-exclusions-to-support-the-energy-transition*

[29] *https://www.axa.com/en/magazine/forming-a-bond-supporting-the-energy-transition*

[30] *https://www.axa-im.com/media-centre/bpce-issues-e2-82-ac100-million-of-transition-bonds-invested-by-axa-im-to-finance-natixis-assets-contributing-to-the-energy-transition*

[31] *https://www.axa-im.com/axa-im-further-strengthens-its-climate-actions-accelerate-its-contribution-low-carbon-world*

[32] *https://www.axa-im.com/who-we-are/stewardship-and-engagement*

Insurance

GOVERNANCE

Insurance-related ESG risks and opportunities also benefit from a specific governance, notably the Group Underwriting Committee (GUC), which defines underwriting restrictions. Similarly to investments, sensitive and/or strategic climate-related decisions debated in the GUC are ultimately approved by the RISSC (please refer to Section 4.1, "AXA Sustainability strategy – Sustainability governance & Stakeholder dialogue" of this Annual Report). In addition, a dedicated team within Group Risk Management analyzes Emerging Risks which often relate to long term ESG issues, and monitor their potential impact (please refer to Section 5.8 "Other material risks – Emerging risks" of this Annual Report). The Group Emerging Risk Committee issues recommendations to adapt its business offer and underwriting policies.

AXA is a signatory of the UN-backed principles for Sustainable Insurance (UN PSI).

CLIMATE-RELATED INSURANCE PORTFOLIO ALIGNMENT

In December 2020, for the fifth anniversary of the COP21 Paris Agreement, AXA called for a significant new development in its underwriting business. AXA actively supports coalitions that bring collective solutions to issues that require industry-wide cooperation. This is why AXA publicly supported the creation of the Net-Zero Insurance Alliance (NZIA) to collectively extend its investment commitment to "net-zero" to its insurance business.

Chaired by AXA since February 2021, the NZIA revealed its commitments at the G20 in July 2021, with the main commitment to transition insurance and reinsurance underwriting portfolios to "net-zero" greenhouse gas emissions by 2050. Since its launch, the NZIA has been building on the work that the eight founding members have already begun as investors through their membership to the NZAOA (Net-Zero Asset Owner Alliance – please refer to Section "Investments – Climate-related portfolio alignment" above). The NZIA launched a working group in September 2021 in collaboration with the Partnership for Carbon Accounting Financials (PCAF) to develop the first global standard to measure and disclose insured emissions. This is a true challenge as the methodologies and metrics are less developed in the insurance space than for investments. The upcoming months will serve to build the target-setting protocol by January 2023 so that AXA can test various metrics to set its intermediate target, towards the end goal of transitioning its underwriting portfolio to be "net-zero" by 2050. By the end of 2021, the Alliance has grown to 13 members.

UNDERWRITING RESTRICTIONS

Beyond commitments in coalitions, AXA strives to incorporate ESG criteria (including those related to climate) in its underwriting activities, in consistency with its investment strategy. Over time, AXA has developed specific "sector guidelines" that entities are required to annually certify their compliance therewith. These guidelines are applicable to investments and underwriting activities (please refer to Section "Investments" above). A business referral process is in place to monitor the implementation of these guidelines. The details of these policies are published on AXA Group's website.

Since 2017, the underwriting restrictions ban Property and Construction covers for: coal mines, coal plants, oil sands extraction sites and related transportation (pipelines) and drilling in the Arctic Region [33]. In November 2019, AXA had already strengthened these restrictions by adding the coal-related restrictions at client-level, mirroring divestment criteria (please refer to Section "Climate-related exclusions: coal and oil & gas" above).

In 2021, AXA revised its Oil & Gas policy [34]. AXA will cease underwriting new upstream oil greenfield exploration projects unless they are carried out by companies with the most far-reaching and credible transition plans. AXA's selection of these companies with credible transition plans will be finalized by the end of 2022. Once completed, the cessation of new contracts of new upstream oil greenfield exploration projects will come into force with a 12-month grace period ending on January 1, 2024.

In addition, AXA will significantly reduce its insurance exposure to unconventional exploration and production from its business from 2022, as follows:

- Arctic: AXA extends the scope of its Arctic underwriting restrictions beyond the polar circle and the 70°N zone in alignment with the Arctic Monitoring and Assessment Programme (AMAP). Only Norwegian operations in the AMAP Region will be maintained, given their high environmental standards and lower operational carbon footprint. AXA will strengthen the thresholds applicable to insurance activities in this particularly fragile region, excluding new underwriting coverage for Oil and Gas extraction activities carried out in the AMAP Region by companies deriving more than 10% of their production from the AMAP Region or producing more than 5% of the worldwide volume of AMAP-based Oil & Gas.

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[33] *Defined as operations situated above 70°N.*

[34] *https://www.axa.com/en/press/press-releases/axa-extends-its-oil-and-gas-exclusions-to-support-the-energy-transition https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com/dfa080ca-e1c5-4851-8a40-5d3c1°9de78d_axa_energy_policy_oil_and_gas_industry_2021.pdf*

Exemptions may be granted if the projects are carried out by Oil and Gas companies with the most far-reaching and credible transition plans;

- oil sands: on top of the existing restrictions in place, AXA will adopt a more stringent policy by extending current restrictions to all lines of business for underwriting activities;
- fracking/shale Oil and Gas: AXA will no longer provide any insurance coverage to activities of companies, deriving more than 30% of their production from fracking/shale Oil and Gas.

The main database used is the "Global Oil & Gas Exit List" (GOGEL) [35] released in 2021.

GREEN PRODUCTS AND BUSINESS

In addition to the underwriting restrictions described above, the Group seeks to minimize its impact on climate change 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 CO_2 emission vehicles, Home insurance policies encouraging energy efficiency, renewable power 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 parts ("micro-repair") rather than replacing them with new ones;
- AXA Climate offers parametric insurance products which, for example, accompany the recovery of agricultural crops after climate-related natural disasters (notably drought or flooding) and can help improve the capacity of the insured to become more resilient. Please refer to Section 4.4 "Inclusive insurer" of this Annual Report, and to AXA's annual "Climate/TCFD Report".

To leverage these existing best practices, AXA started developing in 2021 a more proactive and comprehensive Green Business strategy to support local entities in deploying offers with a positive impact on the environment (notably on climate change mitigation and adaptation). This framework will be complemented by the definition of a "green premiums" target (applicable to its Commercial lines, SMEs and Retail P&C business) to measure progress, as well as promote product innovation. It is expected to be launched in Q2 2022.

In 2020, AXA's entities have generated €1.1 billion of revenues on Green Business offers.

Also refer to Sections "Biodiversity" on innovative "nature-based solutions" and 4.4 "Inclusive insurer" of this Annual Report, to complement the view on ESG insurance products, and AXA's annual "Climate/TCFD Report".

SFDR: CLIMATE AND ESG INTEGRATION IN SAVINGS

Since March 2021 and the entry into force of the Sustainable Finance Disclosure Regulation (SFDR) [36], the European in-scope companies of the Group (*e.g.* life insurance companies, insurance intermediaries, asset managers) must publish on their websites and in product precontractual client documentation, information on how they take into account Sustainability Risks [37] and Principal Adverse Impacts [38] in their investment decision-making processes and/or their investment advisory processes.

In this context, AXA provides end clients with information on AXA's green investments and carbon emission reduction targets.

All in all, hundreds of savings, retirement and protection products have been impacted by the SFDR. For example, AXA France Vie has reinforced the transparency of its approach to Sustainability Risks for over 50 financial products.

The entity and product disclosures will be supplemented with the implementation of the Delegated Regulations of the SFDR and of the EU Taxonomy Regulation.

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[35] *https://gogel.org/*

[36] *Regulation (EU) 2019/2088 dated November 27, 2019, on sustainability-related disclosure in the financial services sector (the "SFDR").*

[37] *Pursuant to the SFDR, a Sustainability Risk (SR) is an environmental, social or governance-related event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.*

[38] *Pursuant to the SFDR, a Principal Adverse Impact (PAI) is the impact of an investment decision or advice that results in negative effects on sustainability factors (environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters).*

Biodiversity

Limiting the loss of ecosystems is a priority to maintain economic stability and to mitigate climate change. Biodiversity loss endangers "ecosystem 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 also severely compounds the destruction of ecosystems around the world, adding pressures related to drought, ocean acidification, and more intense natural catastrophes. As a result, the main identified nature-related risk is the impact of AXA's activities on biodiversity.

Impacts on biodiversity can adversely affect the integrity of a geographic area, either directly or indirectly, by substantially changing its ecological features, structures, and functions across its whole area, and over the long term, so that habitat, its population levels, and the particular species part of the habitat cannot be sustained [39]. Biodiversity has been identified as a main ESG risk in 2021 as explained in the Section 4.1 "AXA sustainability strategy – Sustainability risk assessment" of this Annual Report.

In 2021, AXA has made significant progress in reducing exposure to nature-negative activities, and driving nature-positive solutions, to mitigate the frequency and severity of its impacts on biodiversity. AXA's sustainability strategy currently includes the following developments.

RISK IDENTIFICATION – UNDERSTANDING AXA'S IMPACT ON BIODIVERSITY

While biodiversity loss and its main drivers are well documented, the quantification of business impacts on biodiversity is still a quite new field, and the risks incurred by companies are to be precisely defined. This is why AXA is working with peers to accelerate the quantification of risks and impacts related to biodiversity.

Following the release of the AXA-WWF "Into the Wild" report, during the G7 in 2019, the Taskforce on Nature-related Financial Disclosures (TNFD) was officially launched in June 2021 [40] (please refer to Section "Climate, biodiversity and ESG-related outreach and engagement" below).

In 2021, AXA and 3 peers (BNP Paribas, Mirova and Sycomore) selected external data provider Iceberg Datalab to develop biodiversity impact metrics. This provider has developed its own metric – the Corporate Biodiversity Footprint (CBF) – based on the concept of MSA (Mean Species Abundance), to calculate the degradation of ecosystems caused by business activities across AXA's investment portfolio. Iceberg Datalab is delivering data on a sectoral basis. In 2021, coverage included all high- and medium-stake sectors, with agri-food, electricity, oil & gas, real estate, and mining & metals. This will allow AXA to identify the most biodiversity-intensive activities and issuers within a sector or within a universe. In March 2021, the Article 29 of the French Law on Energy and Climate extended reporting requirements to biodiversity. For more information, please refer to the annual "Climate/TCFD Report".

GROUP POLICIES & INITIATIVES – REDUCING AXA'S IMPACT ON BIODIVERSITY

AXA did not wait for a precise quantification of its impact on biodiversity to start reducing it. The Group released a series of initiatives, aimed at protecting ecosystems, investing in natural capital and impact funds, focusing on forests and oceans, the two main carbon sinks.

A new Forest policy in 2021

In October 2021, AXA announced a new policy on Ecosystem protection, Deforestation and Natural World Heritage Sites. It seeks to address risks related to deforestation and protected areas of key biodiversity value, and to halt support for firms negatively impacting ecosystems that house critical biodiversity. Curbing deforestation conserves water resources, prevents flooding, controls soil erosion, and preserves habitats, in addition to preserving key carbon sinks. In 2013, AXA had divested from "unsustainable" Palm Oil producers and banned illegal logging from its underwriting. AXA's new policy builds on previous work to address other levers of deforestation, resulting in a more comprehensive approach [41].

On the investment side, as an asset owner, AXA bans companies in three cases:

- palm oil producers who have not achieved "sustainable palm oil" production certifications and/or have significant unresolved land rights conflicts [42] and/or conducting illegal logging (pre-dates the policy released in October 2021 and remains in place);

[39] *https://www.globalreporting.org/standards/media/1011/gri-304-biodiversity-2016.pdf*

[40] *https://www.unepfi.org/news/themes/ecosystems/tnfd-launch/*

[41] *https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com/e1251692-7ºce-478º-b9c5-e41b3c4d03a8_AXA_Deforestation_and_World_Heritage _Sites_detailed_policies_20211020.pdf*

[42] *According to Sustainalytics Palm oil-related controversies levels 3-4-5 (Land use & biodiversity, human rights, community relations).*

- companies in any sector facing "high" and "severe" controversies related to Land use and biodiversity [43];
- companies producing palm oil, soy, cattle and timber that face "significant" Land use and biodiversity controversies and that have a "critical" impact on deforestation [44].

AXA will engage, as a shareholder, individually where needed, and *via* coalitions wherever possible, with a selection of companies of the following type: palm oil, soy, cattle, and timber producers; traders and buyers of those commodities; and other companies on an *ad hoc* basis. A particular attention will be paid regarding controversies, production, and procurement practices.

On insurance underwriting, AXA focuses more on the activities at risk of causing deforestation. AXA restricts Commercial Lines Property and Construction Insurance Underwriting in four cases:

- illegal logging (pre-dates the policy released in October 2021 and remains in place);
- companies that are excluded by the investment policy screening are to be referred to the Group Risk Management and the critical activity will likely be banned from Construction and Property covers;
- businesses that operate in "high-risk countries" [45] and commodities (palm oil, beef, soy, timber) and facing high or severe deforestation controversies [46] are also to be referred to the Group Risk Management with a view to restrict the critical activity;
- traders of soy, beef, palm oil and timber operating in "high-risk countries" and facing high or severe deforestation controversies are also to be referred to the Group Risk Management and the critical activity will likely be banned from marine cargo covers.

In line with the UNPSI-UNESCO classification, AXA also commits to protect World Heritage Sites by ensuring it does not support, through Property and Construction insurance underwriting, businesses in sensitive sectors that are developing activities incompatible with ecosystem preservation in these vital sites.

AXA reinforced its Energy policy (please refer to Sections "Investment" and "Insurance"), released in October 2021, by aligning its climate and biodiversity ambitions. Unconventional oil is a large driver of ecosystem degradation. Oil sands extraction can present heightened spill risk, excessive water use, polluted wastewater, and deforestation. Exposure to the Arctic Region can degrade critical ecosystems, and fracking requires extensive use of water, and chemicals, which can contaminate groundwater and affect the health of residents and ecosystems. In order to reduce the biodiversity impact of investments in and underwriting of energy activities, AXA will align its definition of the Arctic Region with the Arctic Monitoring & Assessment Programme (AMAP), based on the respect of critical ecosystems.

In addition, AXA committed to a new "Natural Capital" target of €1.5 billion dedicated to reforestation. This figure is broken down into two different approaches: €1 billion to support forestry management projects in developed markets and €500 million to support natured-based solutions through initiatives such as afforestation, restoration and avoided deforestation, largely in emerging markets, where the outcome of the initiative can often be measured through the production of carbon credits.

To better select projects for internal and external clients to offset CO_2 emissions, AXA Investment Managers acquired ClimateSeed, an innovative marketplace connecting businesses seeking carbon credits with project developers offering carbon offsetting projects. ClimateSeed's portfolio includes 36 projects in 24 countries totaling an aggregated capacity of over four million verified carbon credits.

An AXA XL program to protect Oceans

Another way of conserving biodiversity is to mitigate risk of loss through innovative insurance mechanisms. With a particular focus on aquatic and coastal ecosystems – also essential reservoirs of biodiversity – in 2021, AXA XL launched its Coastal Risk Index, an innovative tool that maps current and future flood hazard resulting from climate change and integrates for the first time the protective benefits of coastal ecosystems into insurance risk models. Alongside this announcement, AXA XL also put in place additional safeguards to support the detection of Illegal, Unreported, and Unregulated (IUU) fishing by requiring International Maritime Organization (IMO) numbers for all fishing vessels and refrigerated cargo vessels that it insures and adding further explicit checks on IUU fishing to its Marine Underwriting Rules and Guidelines. Through AXA Climate, AXA XL is already providing risk capacity for coral protection against tropical cyclones at four sites along the

[43] *According to Sustainalytics' controversies database. "Significant", "High" and "Severe" correspond to levels 3, 4 and 5. According to Sustainalytics Palm oil-related controversies levels 3-4-5 (Land use & biodiversity, human rights, community relations).*

[44] *According to the "CDP Forest" database.*

[45] *Determined with support from the WWF experts. LATAM: Brazil, Bolivia, Peru, Ecuador, Colombia, Venezuela, Guyana, Suriname, French Guiana, Paraguay, Argentina. Congo Basin: Cameroon, Central African Republic, Democratic Republic of Congo, Republic of the Congo, Equatorial Guinea, Gabon. South-East Asia: Cambodia, China (Yunnan and Guangxi), Lao PDR, Myanmar, Thailand, Vietnam, Papua New Guinea, Indonesia, Malaysia, Brunei, Australia.*

[46] *According to Sustainalytics' controversies database.*

Mesoamerican reef in Mexico, Belize, Guatemala, and Honduras. Research is underway to expand this solution to mangroves and identify new sites to protect.

The AXA Research Fund reiterated its investment of €1 million for research into coastal livelihoods with the Intergovernmental Oceanographic Commission of UNESCO as part of the UN Decade for Ocean Science and Sustainable Development. The Fund is also partnering with the IPBES, to support the production of two reports over two years: The Nexus Assessment, which examines the links between biodiversity, climate and food, and the Transformative Change Assessment, which investigates the profound causes of biodiversity loss.

Climate, biodiversity and ESG-related “outreach” and engagement

In addition to the GFANZ, NZIA and NZAOA described previously, AXA supports various initiatives related to climate, biodiversity and ESG. These include the following:

- **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;
- **TNFD:** the Taskforce on Nature-related Financial Disclosures (TNFD) was officially launched in June 2021 [47]. AXA is one of 34 members, comprising both financial institutions and corporates, that will develop an industry standard for identifying and mitigating impacts, dependencies, and risks related to nature. A beta framework is set for release in March 2022, after which will take place a testing and improvement phase until mid-2023, in consultation with key knowledge partners. AXA is more specifically contributing to the landscape analysis of standards and metrics, to identify the best existing approaches. Participation in the TNFD offers AXA access to best practices on identifying and mitigating biodiversity-related risks;
- **NZAMI:** The Net Zero Asset Managers initiative brings together an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to +1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. It currently includes 128 signatories managing US$43 trillion of assets under management;
- **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. The Chief Executive Officer of AXA 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:** The Insurance Development Forum (IDF), chaired by AXA's Chairman since 2018, is an insurance industry-led public-private partnership dedicated to closing the insurance protection gap in countries vulnerable to the impacts of Climate Change. It is supported by the United Nations and the World Bank, gathering members from the public sector, multilateral organizations, NGOs and civil society.

  In 2021, the IDF undertook many new initiatives, with the cooperation of AXA and many other industry teams and organizations. Notably for the Tripartite Agreement signed in 2019 with the German Federal Ministry for Economic Cooperation and Development (BMZ) and the United Nations Development Program (UNDP), for which an IDF project team is designing an insurance program for up to 50,000 public schools in Peru. Another project being funded by the Tripartite Agreement is in Mexico, designing a program that will enable insurance protection for the most vulnerable small holder farmers. Other similar projects are being developed for the Colombian city of Medellin, Ghana and Nigeria.

[47] *https://www.unepfi.org/news/themes/ecosystems/tnfd-launch/*

These programs will help to protect millions of vulnerable people from natural disasters and the effects of climate change.

At COP26, the IDF launched a partnership with the V20 Group of Ministers of Finance from the Climate Vulnerable Forum, representing the world's 55 most climate vulnerable countries. This paves the way for the establishment of the IDF's Global Risk Modelling Alliance, a public-private technical assistance program, which will provide more and better access to the risk data and analytics that is crucial to building resilience in these countries. BMZ has committed €11 million to finance this critical work. Also in November 2021, in Glasgow, the Global Resilience Index Initiative (GRII) was launched: it is a multi-partner IDF initiative for reference data on climate and natural hazard risks to inform and mobilise investment, needed to meet the Paris goals on climate resilience, across all sectors and geographies;

The Group has also signed a three-year partnership with the **WWF France.** Please refer to the "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.

EU Taxonomy Regulation

Regulation (EU) 2020/852 dated June 18, 2020 on the establishment of a framework to facilitate sustainable investment (the "EU Taxonomy Regulation" [48]) and the Commission Delegated Regulations supplementing the EU Taxonomy Regulation [49] set out new reporting requirements for companies which are already within the scope of the EU Non-Financial Reporting Directive (the "NFRD") [50].

Article 8.1 of the EU Taxonomy Regulation requires such companies to disclose in their non-financial statements *(déclaration de performance extra-financière)* information on how and to what extent their activities are associated with Taxonomy-aligned economic activities.

The EU Taxonomy introduces the concepts of eligibility and alignment:

- An economic activity is said to be eligible if it is identified in the delegated acts as having a high potential to contribute to at least one of the environmental objectives, irrespective of whether the activity meets the technical criteria set out in those delegated acts;
- The second of these concepts is alignment, which confirms the significant contribution of this eligible economic activity to at least one of the environmental objectives on the basis of technical criteria specified through a delegated regulation.

Article 8.1 of the EU Taxonomy Regulation applies from January 1, 2022, with respect to the environmental objectives set forth in Articles 9 (a) and (b) of the Taxonomy Regulation (*i.e.*, (i) climate change mitigation and (ii) climate change adaptation).

The reporting obligations under the other four environmental objectives set out in Articles 9(c) to (f) (*i.e.* sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems) will come into force on January 1, 2023.

However, Article 10 of Commission Delegated Regulation (EU) 2021/2178 introduced a 2-year transitional period (beginning on January 1, 2022, and ending on December 1, 2023) applicable to financial undertakings and during which financial undertakings must disclose, among other information, (i) the proportion of exposures to Taxonomy-eligible activities in the undertaking's total relevant investments, (ii) the proportion of exposures to Taxonomy non-eligible economic activities [51] in the undertaking's total relevant investments.

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[48] *Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.*

[49] *(i) Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives ("Commission Delegated Regulation (EU) 2021/2139"), and (ii) Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation ("Commission Delegated Regulation (EU) 2021/2178").*

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

[51] *The term "Taxonomy-non-eligible economic activities" is defined in Article 1 (6) of Commission Delegated Regulation (EU) 2021/2178.*

The following provides information with respect to the extent that AXA's Non-Life insurance activities and investments may qualify as contributing substantially to the objectives of climate change mitigation and/or climate-change adaptation, as defined in Articles 10 and 11 of the EU Taxonomy respectively.

In addition to the mandatory quantitative disclosures that need to be disclosed by insurance undertakings for the period starting from January 1, 2022, until December 31, 2023, further information has been provided on a voluntary basis to enhance the general understanding of these new disclosures. They mainly consist of values in monetary amounts, breakdowns of the amounts used to calculate the indicators and estimated eligibility based on third party data.

PROPORTION OF TAXONOMY-ELIGIBLE/TAXONOMY NON-ELIGIBLE NON-LIFE INSURANCE ECONOMIC ACTIVITIES ("UNDERWRITING RATIO")

(in Euro million)	Net premiums written	% to Total non-life premiums
Activities eligible to EU Taxonomy	19,234	38.6%
Activities not eligible to EU Taxonomy	30,612	61.4%
TOTAL NON-LIFE INSURANCE ACTIVITIES	**49,846**	**100%**

Pursuant to Commission Delegated Regulation (EU) 2021/2139, only the provision of Non-Life insurance and reinsurance services related to the underwriting of climate-related perils are considered as contributing to climate-change adaptation [52].

As a result, only Non-Life insurance lines of business [53] that include policy terms related to the underwriting of climate-related perils are considered as eligible in accordance with the EU Taxonomy[54]. In this regard, AXA has identified three Taxonomy-eligible lines of Non-Life insurance business: (i) Motor insurance (other than third party liability insurance), (ii) Marine, Aviation and Transport insurance and (iii) Fire and Other Property Damage insurance.

In these lines of business, insurance products generally include coverage of risks related to climate-related perils. While certain products may not cover such perils, it has been assumed for the first year of reporting that the total amount of net premiums written by these three lines of business would be recognized as eligible to the Taxonomy. The reported amounts are net of reinsurance.

Products in other Non-Life lines of business may consist in underwriting of climate-related perils, but, as such coverage may not be systematic and further assessment is needed, no further eligibility to the Taxonomy was recognized at this stage on other Non-Life insurance activities.

Finally, it is important to note that the eligibility to EU Taxonomy does not indicate whether, or to what extent, the Non-Life insurance activities contribute substantially to climate-change mitigation or adaptation.

PROPORTION OF INVESTMENTS EXPOSED TO TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES ("INVESTMENT RATIO")

The following Investment Ratio represents the weighted average value of (a) invested assets directed at funding, or associated with, Taxonomy-eligible economic activities relative to (b) the value of total invested assets included for the purpose of the calculation of the Investment Ratio (the "Covered Assets").

The Covered Assets are the total on-balance sheet invested assets minus those assets that are excluded from the calculation of the Investment Ratio. This means that the Covered Assets are all invested assets in the balance-sheet, excluding exposures to central banks, supranational issuers and central governments, as set out in Article 7.1 of the Commission Delegated Regulation (EU) 2021/2139.

(in Euro million)	Value	% to total investments

[52] *A non-exhaustive list of climate-related perils is available in Appendix A, Annex 2 of Commission Delegated Regulation (EU) 2021/2139.*

[53] *The term "lines of business" is defined in Annex I, Section A, of Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II Directive).*

[54] *Section 10.1 of the Annex 2 to the Commission Delegated Regulation (EU) 2021/2139 restricts Taxonomy-eligible economic activities to the following Non-Life insurance services: (a) Medical Expense insurance; (b) Income Protection insurance; (c) Workers' Compensation insurance; (d) Motor Vehicle Liability insurance; (e) other Motor insurance; (f) Marine, Aviation and Transport insurance; (g) Fire and Other Damage to Property insurance; (h) assistance.*

Covered Assets	420,345	65%
Exposures to central governments, central banks and supranational issuers	225,669	35%

The Covered Assets include exposure to investments in properties, equity securities, debt instruments (excluding sovereign exposures), non-consolidated investments funds, derivatives, loans, cash and cash equivalents. Asset backed contracts where the financial risks are borne by policyholders are also included in the denominator of the Taxonomy eligible disclosures.

(in Euro million)	**Value**	**% to Covered Assets**
Derivatives	(2,698)	-1%
Exposures to undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU	116,677	28%
Exposures to undertakings subject to Articles 19a and 29a of Directive 2013/34/EU	55,964	13%
Investments in real estate properties	33,921	8%
Mortgage loans	29,582	7%
Other loans	6,715	2%
Other exposures held direct that could not be assessed for eligibility to EU Taxonomy	26,147	6%
Other exposures through investment funds that could not be assessed for eligibility to EU Taxonomy	126,149	30%
Cash and cash equivalents	27,889	7%
TOTAL ASSETS COVERED BY THE INVESTMENT RATIO ("COVERED ASSETS")	**420,345**	**100%**

In accordance with the list of economic activities eligible to EU Taxonomy, investments in real estate properties and mortgage loans have been fully recognized as Taxonomy-eligible based on actual information. In the absence of actual data on debt and equity instruments, the portion of exposures to activities not eligible for the investment taxonomy is deemed to be nil.

(in Euro million)	**Value**
Taxonomy-eligible exposure based on actual information (*i.e.* investment properties and mortgage loans)	63,503
Covered Assets	420,345
INVESTMENT RATIO *(IN % TO COVERED ASSETS)*	**15%**

An additional amount of investments directed at funding, or being associated with, Taxonomy-eligible activities could be determined based on an assessment performed by an external ESG data provider and is disclosed voluntarily in the table below. In this case, eligibility has been measured based on the turnover of the counterparties.

The external ESG data provider assessment is predominantly based on information available in companies' public disclosures and uses the most recently available data of their respective exposure(s), corresponding generally to revenues for the financial year ended on December 31, 2020. It should be noted that such estimates do not cover the entire exposure to undertakings that are subject to Taxonomy reporting and they may differ significantly from the actual information, once provided by the counterparties. The Investment Ratio will thus adjust over time as actual information become available.

In the absence of information on the actual use of proceeds for sustainable activities, green bonds issued by undertakings subject to Taxonomy reporting have been fully recognized as eligible to EU Taxonomy and are included below in the amount of Taxonomy-eligible exposures to undertakings subject to Articles 19a and 29a of Directive 2013/34/EU based on third party assessment. No eligibility was recorded for greens bonds issued by other counterparties.

(in Euro million)	**Value**
Taxonomy-eligible exposures based on actual information (*i.e.* investment properties and mortgage loans)	63,503

Taxonomy-eligible exposures to undertakings subject to Articles 19a and 29a of Directive 2013/34/EU based on third party assessment	12,682
Covered Assets	420,345
INVESTMENT RATIO INCLUDING ESTIMATED ELIGIBILITY (IN % TO COVERED ASSETS)	**18%**

The value of total invested assets that are covered by the Investment Ratio, but could not have their eligibility determined (*i.e.,* notably most of the exposures held through investment funds) have been recognized as not eligible for purposes of the EU Taxonomy.

Finally, it is important to note that the eligibility to EU Taxonomy does not indicate whether, or to what extent, the investments are associated with activities that contribute substantially to climate-change mitigation or adaptation.

Own operations' impact on climate change

AXA, as a responsible company, is committed to address climate change through its core operations. The impact of AXA's internal operations on climate change is identified as one of the main ESG risks in 2021 as explained in Section 4.1 "AXA Sustainability strategy – Sustainability risk assessment" of this Annual Report. AXA's own operations may have a negative impact on climate through its GHG emissions from heating and cooling, IT equipment and data centers, car fleet and business travel. To reduce its impact and make sure it actively reduces its CO_2 emissions, AXA has been setting up an environmental management system for the entire Group. The environmental reporting, done every year, enables to track the progress made against a set of targets that are regularly updated to reflect the Group's ambition. Entities are coordinated and led with assigned targets but also regular training, best-practice sharing calls and guidelines. The results of this policy are displayed in detail in the following section with the CO_2 emissions from energy, car fleet, business travel and IT (Scope 3).

PERFORMANCE TARGETS 2019-2025

AXA continues to work on the deployment of its action plan to achieve its objectives by 2025. With this new cycle, AXA aims at reducing the footprint of its operations on all the "Scopes" of its greenhouse gas emissions [55]:

- Scope 1: emissions related to fuel combustion on AXA's sites (gas, heating oil…) as well by vehicle fleet;
- Scope 2: emissions from purchased energy (mainly electricity consumed in AXA buildings);
- Scope 3: emissions from business travel and IT activities.

These objectives are 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 -31% for Scope 1 and 2 perimeters. These targets have been set for each entity of AXA to help them steer their emissions at the local level. Moreover, internal operations-related carbon footprint reduction is now a criterion in the Long-Term Incentive (LTI), for profit-sharing attribution and entities' CEO target letters – please refer to Section 3.2 "Executive compensation and share ownership" and Section 4.2 "Employer Responsibility" of this Annual Report.

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 CO_2 emissions of -20% by 2025 compared to 2019 (Scope 1, Scope 2 and Scope 3 business travel and IT equipment manufacturing and services). In the final objective to become carbon neutral by 2025, AXA's CO_2 reduction target is part of the "*AXA for Progress Index*" as explained in the Section 4.1 "AXA Sustainability strategy – 2021 marks a new stage in AXA's sustainable development strategy" of this Annual Report.

	Unit	Target 2025/2019
Reduce AXA's CO_2 emissions (Energy, car fleet and business travel and IT activities) [a]	t. eq. CO_2	-20%
Reduce CO2 emissions for internal operations – submitted to SBTi [c]	t. eq. CO_2	-25%
CO_2 emissions due to energy consumption	*t. eq. CO_2*	*-35%*

[55] *As defined by the "Greenhouse Gas Protocol": www.ghgprotocol.org.*

CO_2 emissions due to car fleet	*t. eq. CO_2*	*-20%*
CO_2 emissions due to business travel	*t. eq. CO_2*	*-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	m^3/FTE	-10%
Reduce office and marketing paper consumption per FTE	kg/FTE	-20%

(a) As CO_2 emissions linked to paper consumption become less material for AXA, they are excluded from CO_2 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 control commuting constraints (employee's personal choice, location, infrastructure...).

2021 ENVIRONMENTAL PERFORMANCE

CO_2 emissions

CO_2 emissions related to energy consumption, car fleet and business travel decreased by 30% between 2020 and 2021 and amount to 59,225 tons equivalent CO_2 (t eq CO_2) *versus* a 2021 target of 173,981 t eq CO_2.

In 2021, 65% of the Group's CO_2 emissions were related to energy consumption, 7% to business travel (air and rail), and 29% to AXA's vehicle fleet.

SCOPE 1 CO_2 EMISSIONS

AXA's Scope 1 emissions include the CO_2 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 CO_2 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 kilometer is applied based on the vehicle's emission range. To consider regulatory changes and new WLTP standards [56] ("Worldwide harmonized Light vehicles Test Procedure"), vehicles acquired or leased from 2020 onwards are classified according to the WLTP standard.

Scope 1 CO_2 emissions amounted to 23,362 t eq CO_2 in 2021, a decrease by 11% compared to 2020. AXA's 2021 target was 34,458 t eq CO_2 (target is -25% between 2019 and 2025). This result was mainly due to a decrease in heating due to the COVID-19 crisis, but also to the replacement of natural gas with biogas for AXA France. The use of the vehicle fleet was also down in 2021 compared to 2020 with a 5% decrease in CO_2 emissions.

SCOPE 2 CO_2 EMISSIONS

CO_2eq emissions related to electricity consumption are calculated based on consumption in kilowatt-hour (kWh). If the primary source of electricity is known, ADEME emission factors are used. Otherwise, we either use the emission factor provided by the electricity suppliers (market-based) or the average emission factor for electricity in the country also called location-based (sourcing 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 directly by the supplier if it is produced from a primary renewable source.

Scope 2 emissions amount to 31,997 t eq CO_2 in 2021, a decrease of 22% compared to 2020. AXA's 2021 target was 54,459 t eq CO_2 (target is -35% between 2019 and 2025). This decrease was mainly due to lower consumption resulting from the reduced use of buildings due to the COVID-19 situation that continued into 2021 and the switch to green power at some sites.

[56] The WLTP (World harmonized Light-duty vehicles Test Procedure) is a global harmonized standard for determining the levels of pollutants, CO_2 emissions and fuel consumption of traditional and hybrid cars, as well as the range of fully electric vehicles.

SCOPE 3 CO_2 EMISSIONS

AXA's Scope 3 emissions include CO_2 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 were 3,866 t eq CO_2 in 2021, a decrease of 78% compared to 2020. The target for AXA was 84,870 t eq CO_2 for 2021, excluding COVID-19 effect (target is -18% between 2019 and 2025). The COVID-19 crisis was the main driver of this significant decline in 2021. New remote working habits were adopted, and travels 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).

AXA also measures the carbon emissions related to its employee commuting, even though such indirect emissions may be outside of the scope of the Group's responsibilities. In 2021, results are based on responses collected from 30 entities and extrapolated to the whole Group. It is estimated that AXA employees commuted a total of 775.5 million of kilometers, out of which 47% travelled by public transport, 5% by company cars, and 36% by personal vehicles and the rest by foot or bicycle. Scope 3 employee commuting emissions are estimated at 78,846 t eq CO_2 in 2021, a decrease of 36% *versus* 2019. Employee commuting-related CO_2 emissions per FTE decreased by 32% compared to 2019 (representing 0.69 tons eq. CO_2 per FTE in 2021). This decrease in emissions was linked to a decrease of commuting due to hybrid work mode scheme put in place in most AXA entities – refer to Section 4.2 "Employer Responsibility".

IT Scope 3 emissions (equipment manufacturing and services) amount to 25,720 t eq CO_2 in 2021. Scope 3 related to AXA's IT impacts is part of a broader program aiming at steering the impact of AXA's digital activities (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) amounted to 108,432 t eq CO_2 in 2021.

Environmental indicators AXA Group [a]	Unit	2021	2020	2019	Evolution 2020/2021	Target 2019/2025	Evolution 2021/2025
Number of group FTEs from HR [a]	FTE	114,749	117,623	121,337	-2%		
Internal area: occupied and vacant	m^2	1,441,136	1,538,964	1,629,198	-6%		
Revenue	€ million	99,931	96,723	103,532			
CO_2 EMISSIONS							
KPI: Total CO_2 energy, car fleet and business travel	**T. eq. CO_2**	**59,225**	**84,647**	**191,238**	**-30%**	**-25%**	**-69%**
Total CO_2 per person (energy, car fleet and business travel)	T. eq. CO_2/FTE	0.52	0.72	1.58	-28%	n/a	-67%
Total CO_2 emissions per revenue	t. eq. CO_2/€ million	0.59	0.88	1.85	-33%	n/a	-68%
Scope 1 CO_2 emissions (energy [b] and car fleet [d])	t. CO_2eq	23,362	26,292	37,889	-11%	-25%	-38%
Scope 2 CO_2 emissions (energy [c])	t. CO_2eq	31,997	40,894	62,765	-22%	-35%	-49%
Scope 2 CO_2 emissions (energy-location based calculation [g])	t. CO_2eq	53,492	63,914	88,558	-16%	n/a	-40%
Scope 3 CO_2 emissions (business Travel [e])	t. CO_2eq	3,866	17,460	90,584	-78%	-18%	-96%
CO_2 emissions: power consumption [b] [c]	t. CO_2eq	38,437	49,415	73,431	-22%	-35%	-48%
CO_2 emissions: AXA vehicle fleet [d]	t. CO_2eq	16,922	17,771	27,223	-5%	-20%	-38%
CO_2 emissions: business travel airplane and train [e]	t. CO_2eq	3,866	17,460	90,584	-78%	-18%	-96%
CO_2 emissions: home/workplace commute [f]	t. CO_2eq	78,846	60,316	123,094	31%	n/a	-36%
CO_2 emissions: home/workplace commute per person [f]	t. CO_2eq/ETP	0.69	0.50	1.01	38%	n/a	-32%

Data collected from 90 entities. Key Performance Indicators (KPIs) highlighted in bold. AXA sites with fewer than 50 FTEs are not included in data collection but are part of extrapolation process.

(a) In 2021, environmental indicators were collected for 94,885 FTEs working on AXA sites (unless otherwise indicated in these footnotes), and were then extrapolated, continent by continent, to cover all 114,749 salaried FTEs (all types of contracts), working at the AXA Group in average in 2021.

(b) natural gas, biogas, heating oil.

(c) Includes electricity, steam and chilled water.

(d) The AXA vehicle fleet data was collected from entities representing 94,885 FTEs.

(e) Business travel data have been collected from entities representing 104,150 FTEs.

(f) Does not include company cars, to avoid double counting with the AXA vehicle fleet data.

(g) Location based: using average electricity emission factor in the country.

Analysis per consumption items

2021 was marked by an increase in hybrid working schemes within all AXA entities, resulting from a combination of smart working implementation and COVID-19 measures. This shift had an impact on all our consumption indicators.

ENERGY CONSUMPTION

AXA's energy consumption includes the total energy consumed by its corporate sites (heating, cooling, daily operations electricity) and data centers during the reporting year. In 2021, total energy mix consisted of electricity (72%), gas (10%), carbon neutral/renewable steam (8%), steam (4%), chilled water (3%), biogas (2%) and heating oil (1%).

AXA's total energy consumption is 233,927 MWh for 2021, a decrease of 10% compared to 2020. This consumption was lower than the 2021 target of 294,957 MWh for this year (AXA target is -10% between 2019 and 2025).

In 2021, the COVID-19 crisis continued to reduce buildings' usage with a lower occupancy rate, even though they have been maintained to heat and cool for minimum accessibility. However, 2021 achievements also resulted from continued efforts to save energy at our sites. In 2021, 74 AXA sites out of the 222 office sites (33% *versus* 31% in 2020) included in the environmental reporting received an environmental certificate under building certification programs such as BREEAM (Building Research Establishment Environmental Assessment Methodology), LEED (Leadership in Energy and Environmental Design), HQE (High Quality Environmental Standard), etc.

Alongside building certification, entities are also implementing energy saving actions in their buildings to reduce their GHG emissions. On the one hand, most entities are better managing their heating/cooling system by implementing a centralized air conditioning system, lowering the heating/cooling when needed and including threshold for minimum and maximum temperature. On the other hand, they are also investing in more energy efficient equipment such as low energy lighting with LED and double gazing to reduce heat loss as well as light motion sensors to save electricity and to only use lights when needed.

In 2021, 64% of the electricity consumed by AXA was coming from renewable energy sources (hydro, wind, solar, geothermal, biomass) which show an increase of 12% compared to 2020 (57%). AXA's "RE100" objective is to reach 100% by 2025 and 7 entities have already achieved 100% renewable electricity in 2021.

BUSINESS TRAVEL

Business travel measured in kilometers decreased by 68% between 2020 and 2021, from 88.3 million km in 2020 to 28.1 million km in 2021, 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 travels.

Some entities such as AXA Germany offset all their air and train business travel emissions. On the one hand, for their business travel by train, AXA Germany has a compensation partnership with Deutsche Bahn for long-distance travel since 2013 and short-distance travel as well since 2019. On the other hand, for their business travel by plane, AXA Germany initiated in 2021 a partnership with Lufthansa to compensate all flight emissions since 2020. AXA Germany is the first corporate partner who joined their corporate program *"Compensaid[57]"*. Compensaid is one of the first providers to offer sustainable CO_2 neutralization for all flights by using "Sustainable Aviation Fuel" (SAF, synthetic kerosene) and reforestation.

VEHICLE FLEET

AXA's fleet is made up of commercial and corporate vehicles. The standards for calculating vehicle emissions are evolving with the deployment of the WLTP standards. Vehicles acquired or leased from 2020 onwards are classified according to these new standards.

In 2021, the total distance traveled by the Group's vehicle fleet was 142 million of km, down 3% from 2020.

AXA entities are striving to reduce the impact of the car fleet. Some entities are increasing the efficiency of their vehicle fleet by offering a wide range of low-emission/electric vehicles.

As a result, in 2021, 25.2% of the kilometers traveled by AXA's vehicle fleet were covered by hybrid and electric cars, compared to 23.6% in 2020, an increase of nearly 7%.

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 61.8 kg/FTE in 2021 *versus* 47.7 kg/FTE in 2020, *i.e.*, an increase of 30%. 2021 target was 57.6 kg/FTE (AXA target is -20% between 2019 and 2025 target). This result comes from:

- AXA's office paper consumption per FTE was 4.8 kg/FTE in 2021 *versus* 9.2 kg/FTE in 2020, a decrease of 48%. Many entities have implemented a printing policy that includes reducing the number of printers and installing a badge system to collect all printed documents;

[57] *https://www.axa.de/presse/co2-neutrale-geschaeftsfluege*

- AXA's consumption of marketing and distribution paper per client is 0.07 kg/client in 2021 *versus* 0.04 kg/client in 2020, an increase by 64%. This increase is mainly related to higher sales activity across the Group and to an improvement in the consumption measurement of marketing and distribution paper in Japan.

AXA also strives to increase the volume of paper from recycled sources or sustainably managed forests. In 2021, 64% of office paper was procured from recycled sources compared to 48% in 2020. At the same time, 65% of marketing and distribution paper was received from recycled sources in 2021 compared to 80% in 2020. This decrease is explained by a lower traceability of origin.

WATER CONSUMPTION

AXA's water consumption was 3.23 m^3/FTE a decrease of 33% compared to 2020. The target for 2021 was 6.8 m^3/FTE (target is -10% between 2019 and 2025). This reduction in water consumption reflects better water management initiatives (double flush toilets, automatic shut-off of taps, aerators on water taps, leak detection, etc.) by the entities and the buildings' lower occupancy rate in the context of a continuing COVID-19 crisis.

WASTE MANAGEMENT

AXA contributes to waste reduction and sorting for recycling.

The quantity of unsorted waste was 18.8 kg/FTE in 2021 decreasing by 18% compared to 2020, mainly due to COVID-19, waste reduction initiatives, and the development of selective sorting in the entities. The target for 2021 was 37 kg/FTE (reduction target is -10% between 2019 and 2025).

The total amount of waste generated by AXA was 4,289 tons in 2021 *versus* 5,430 tons in 2020, a decrease of 21% and a constant recycling rate (sorted waste/total waste) of 50% as in 2020.

In order to better tackle their waste management, AXA sites are installing sorting garbage cans on each floor and having recycling awareness campaigns for employees throughout the year in order to foster engagement from their employees.

Carbon neutrality and offsetting

As of 2021, AXA's operations became carbon neutral by offsetting full year 2020 CO_2 emissions (105,900 t.eq.CO_2). AXA selected a wetland forest restoration project: the Sumatra Merang Peatland project in Indonesia. Contributing to the restoration of 23,000 ha of peatland rainforest in the Merang biodiversity zone, the project generates "Verified Carbon Credits" in recognition of its contribution to climate change mitigation and ecosystem services. AXA's involvement and support for the Sumatra Merang project started in 2017, with contribution to the funding of the restoration and conservation of this critical ecosystem as part of the Impact Investing initiative managed by AXA IM Alts.

AXA Group environmental indicators [(a)]	Unit	2021	2020	2019	Evolution 2021/2020	Target 2025/2019	Evolution 2021/2019
Number of group FTEs from HR	FTE	114,749	117,623	121,337	-2%	n/a	n/a
Internal area: occupied and vacant	m²	1,441,136	1,538,964	1,629,198	-6%	n/a	n/a
Energy							
KPI: total energy consumption [(b)]	**MWh**	**233,927**	**260,992**	**305,500**	**-10%**	**-10%**	**-23%**
Electricity consumption	MWh	168,312	193,113	203,335	-13%	n/a	-17%
Share of renewable electricity	**%**	**64%**	**57%**	**59%**	**+7 pts**	**100%**	**+5 pts**
Transportation							
Business travel: train and airplane	Thousands of km	28,086	88,276	393,322	-68%	n/a	-93%
AXA's car fleet	Thousands of km	141,881	146,765	220,173	-3%	n/a	-36%
Home/workplace commute (round trip) [(c)]	Thousands of km	775,498	683,788	976,840	13%	n/a	-21%
Water [(d)]							
KPI: water consumption per person	**m³/FTE**	**3,23**	**4,81**	**7,01**	**-33%**	**-10%**	**-54%**
Water	m³	370,300	566,155	850,506	-35%	n/a	-56%
Paper [(e)]							
KPI: office, marketing and distribution paper per person	**kg/FTE**	**61,8**	**47,7**	**62,1**	**30%**	**-20%**	**-1%**
Office paper consumption	T	552	1,082	1,384	-49%	n/a	-60%
Office paper per FTE	kg/FTE	4,8	9,2	11,4	-48%	n/a	-58%
Recycled paper and/or guaranteeing sustainable management: office	%	64%	48%	58%	34%	n/a	10%
Marketing and distribution paper consumption	T	6,538	4,528	6,153	44%	n/a	6%
Paper marketing and distribution per customer [(f)]	kg/Client	0.07	0,04	0,06	64%	n/a	17%
Recycled and/or sustainably managed paper: marketing and distribution	%	65%	80%	72%	-19%	n/a	-10%
Total recycled and/or sustainably managed paper	%	65%	74%	n/a	-12%	n/a	n/a
Waste							
KPI: unsorted waste per person	**kg/FTE**	**18,8**	**23,1**	**38,3**	**-18%**	**-10%**	**-51%**
Total waste	T	4,289	5,430	n/a	-21%	n/a	n/a
Unsorted waste [(g)]	T	2,159	2,712	4,646	-20%	n/a	-54%
Share of waste recycled (total sorted/total waste)	%	50%	50%	n/a	-1%	n/a	n/a

(a) Data collected from 90 entities. Key Performance Indicators (KPIs) highlighted in bold. AXA sites with fewer than 50 FTEs are not included in data collection, but are part of extrapolation process.

(b) Includes electricity, natural gas, heating oil, steam, chilled water.

(c) Without company car to avoid double counting with AXA vehicles fleet.

(d) This data has been collected from entities representing 94,885 FTEs. Some sites in Asia and America are nont equipped with water meters, which prevents accurate measurement and excludes the from the reporting scope before extrapolation.

(e) Paper data collected from entities representing 94,885 FTEs.

(f) The Group had 94.86 millions customers in 2021.

(g) Unsorted waste data collected from entities 94,885 FTEs.

2021 ENVIRONMENTAL IMPACT RELATED TO THE USE OF DIGITAL EQUIPMENT

The transformation of our way of working and of our internal processes through digitalization has been accelerated by the COVID-19 pandemic and the deployment of the smart working environment throughout the Group. However, digitalization has a growing environmental impact, from using energy to first build the tools, including the usage of raw materials, and to then exchange and store the data. Therefore AXA, with its dedicated entity AXA Group Operations, launched in 2020 a Digital Sustainability program and published a first measure of its Digital equipment's and services CO_2 footprint. In 2021, the program has been pushed further to:

- integrate more purchased services like Google Cloud Platforms, Orange, and Microsoft O365, in addition to Amazon, Microsoft Azure and Salesforce, and update 2019/2020 data accordingly;
- drive the transformation in the major entities with the nomination of a "Digital Sustainability Leader", the execution of a Digital Sustainability maturity assessment to identify best practices and areas of improvement relying on entity level footprint;
- secure the contribution to the -20% reduction of AXA's CO_2 emissions (Energy, car fleet and business travel, and IT equipment and services).

The digital sustainability action plans focus on:

- improving the Group processes such as adapting architecture patterns (application development data management practices), monitoring AXA's activities (data volumes, network traffic, electricity consumption...), securing timely cloud migration and decommissioning and assessing potential CO_2 impact of new projects;
- embarking IT suppliers (transparency, from volume-based to service-based, Total Environmental Cost of Ownership (TECO) through a Digital Sustainability Manifesto and metrics;
- expanding equipment lifetime and minimizing the number of devices per employee;
- developing climate change awareness among employees leveraging AXA Climate Academy (refer to Section 4.2 "Employer Responsibility" of this Annual Report);
- developing outreach and partnerships: Cigref, French government "*Mission Numérique des grands groupes/chantier numérique et environnement*", Boavizta, The Shift Project, The Open Group®.

AXA's digital footprint was 31,226 t eq CO_2 in 2021 market-based with a slight 2% decrease compared to 2020 and stable compared to 2019, while the measure was more precise in 2021 with more accurate desktop inventory and more complete with a wider scope of purchased services. This footprint divides into four main categories:

- 31,910 MWh corresponding to 1, 882 t eq CO_2 market-based [58] related to the electricity consumption of the servers directly used and operated by AXA Group Operations in its data centers. This category is a subset of Scope 2 electricity of AXA (please refer to paragraph "Scope 2 CO_2 emissions" above for calculation methods). A 3% decrease was observed on electricity consumption 2020/2021 due to the transfer of services from AXA data centers to the cloud. Electricity purchasing has also shifted to less CO_2 intensive sources like hydraulic, driving a 24% decrease in the market-based footprint;
- 9,939 MWh corresponding to 3,624 t eq CO_2 location-based [1] 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. A 3% decrease is observed on electricity consumption 2020/2021 due to a significant replacement of desktop workstations by laptops that are less energy intensive;
- 16,931 t eq CO_2 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). A 4% increase was observed mainly due to more accurate inventory on desktops;
- 8,789 t eq CO_2 in connection with AXA's purchases of services like cloud computing (Scope 3 emissions). Volumes of purchased digital services were globally increasing and tracking their environmental impact remains a challenge and requires different methodology to cover the scope monitored here. Maturity of our providers on this topic is still low and should evolve quickly toward a tracking of both electricity consumption, CO_2 location based, and market based, including emissions due to manufacturing of equipment's' and digital waste to allow accurate tracking of environmental impact and avoid any misinterpretation. In the current measure, we observed a 6% increase of CO_2 market based due to

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[58] *With the Scope 2 methodology defined by Green House Gaz Protocol https://ghgprotocol.org/*

consumption increase between 2019 and 2021 and a 4% decrease between 2020 and 2021 that will have to be confirmed.

AXA Information System Environmental footprint indicators[a]	Unit	2021	2020	2019	2020/2021	2019/2021
Electricity consumption: data centers [b]	**MWh**	**31,910**	**32,874**	**32,146**	**-3%**	**-1%**
Scope 2 emissions: electricity of data centers [c]	*Market-based* – T. eq. CO_2	1,882	2,492	2,488	-24%	-24%
Electricity consumption: terminals [d]	**MWh**	**9,939**	**10,456**	**10,646**	**-5%**	**-7%**
Scope 2 and 3 emissions: electricity of terminals [d]	*Location-based* – T. eq. CO_2	3,624	4,099	3,350	-12%	8%
Scope 3 emissions: purchased IT equipment's manufacturing [e]	T. eq. CO_2	16,931	16,234	16,972	4%	0%
Scope 3 emissions: purchased Services market based [f]	*Market-based* – T. eq. CO2	8,789	9,136	8,326	-4%	6%
TOTAL MARKET-BASED [f]	**MARKET-BASED –T. EQ. CO_2**	**31,226**	**31,962**	**31,136**	**-2%**	**0%**
Scope 2 emissions: electricity of data centers [c]	*Location-based* – T. eq. CO_2	5,883	5,947	5,992	-1%	-2%
Scope 3 emissions: purchased Services location based [f]	*Location-based* – T. eq. CO_2	11,386	11,331	9,964	0%	14%
TOTAL LOCATION-BASED [f]	**LOCATION-BASED –T. EQ. CO_2**	**37,825**	**37,611**	**36,278**	**1%**	**4%**

(a) Full scope of the AXA Group, except AXA XL & US. We provide the best estimate we have but since the beginning of Digital Sustainability program, we improve data accuracy and there are still improvements to come that may impact the measures.

(b) We are in the process of consolidating our digital footprint. The reported energy consumption concerns our main data centers in Europe, 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.

(c) With the Scope 2 methodology defined by Green House Gaz Protocol https://ghgprotocol.org/

(d) Calculation relies on in-used inventory of Laptop, Desktop, Smartphones, Tablets, Monitors, and usage hypotheses. It assumes similar consumption in AXA offices and at employees' when they work from home. It represents 256,025 items of IT equipment's for AXA workforce in 2021.

(e) Calculation of the manufacturing of equipment such as 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://theshift project.org/wp-content/uploads/2019/04/Lean-ICT-Materials-REN-2018-updated-in-April-2019.xlsx)).

(f) Purchased services 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 for the data processed for AXA – in market-based and location-based (ADEME emission factors for the country or provider data). Emission sources are either based on information from service providers or emissions reported through CDP Supply Chain 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 Azure, Google Cloud Platform, Microsoft O365, Orange, and Salesforce. The calculation provides the best estimate we have but due to diverse methodologies and providers refining their calculation it is subject to change while becoming more accurate in the year to come.

Climate change impact on AXA's own operations

Climate change may also impact AXA's own operations mostly *via* the physical risks incurred by its buildings and the disruption in activities they can cause. Climate hazards can also impact the health and safety of AXA employees. This risk has been identified as material in the ESG risk assessment conducted in 2021 as explained in the Section 4.1 "AXA Sustainability strategy – Sustainability Risk Assessment" of this Annual Report. Information in this Section should be read in conjunction with the Section 5.7 "Operational Risk" of this Annual Report as physical risks are part of the broader Operational Risks.

Specific actions are identified at Group and local levels to mitigate these risks. Also, the implementation of the Internal Control framework will contribute to a better integration of controls in activities required to mitigate the risks.

The following paragraphs detail the initiatives and policies taken by AXA to prevent those risks and to ensure appropriate level of readiness to effectively respond to specific crises scenarios including climate hazards, should the risks materialize:

- governance for the management of crisis events is in place across the Group with identified roles and responsibilities and are reviewed following our experience of responding to events;
- a monitoring dashboard of natural disasters in areas where AXA operates has been created. Its purpose is to better identify the different types of natural disasters threatening our operations to implement the relevant protection measures;
- clear guidelines and controls are implemented across AXA in order for entities to understand what are the critical business processes, dependencies (both internal and with third parties) and associated resources that must be maintained throughout a crisis, to ensure continuity of operations and mitigate the impact on our customers;
- entities have business critical process recovery plans to address the effects of disruptive events such as the loss of buildings, people, technology and critical third parties;
- AXA entities are equipped with High Risk Scenario Plans for the top risks they are exposed to, addressing both tactical and strategic considerations required to respond effectively;
- 5 Global Readiness Guidelines have been developed and issued, including Pandemics, Ransomware, Data Breach, Social Unrest and Earthquake. Flood readiness guidelines are expected to be delivered in 2022. These guidelines provide internal teams with understanding of the risk from climate events, and relevant guidance in order to ensure an appropriate level of readiness to respond;
- AXA entities Incident and Crisis Management Teams are trained on regular basis and conduct exercises to ensure teams are well rehearsed to respond effectively and protect our employees, customers, operations, regulatory compliance, our finance and reputation.

Further security and operational resilience enhancements take place:

- coordination and enhancement of multi-entity Crisis planning for Group High Risk Scenarios: pandemic, catastrophic event impacting a business critical operation, flood, cyberattacks & civil unrest;
- implementation of crisis information management tool in order to ensure an effective crisis response, even in a scenario where our communication infrastructure may be impacted.

4.4 INCLUSIVE INSURER

This Section encompasses AXA's inclusive protection side. As a responsible insurer, AXA aims at addressing the protection gap of vulnerable communities, through business opportunities adapted to local conditions. Our goal is to (i) foster integration of more inclusive criteria and practices in our different business lines, (ii) share best practices and (iii) develop an impact measurement methodology.

Building on AXA's purpose *"Act for human progress by protecting what matters"*, AXA strengthened in 2021 its ESG approach and Sustainability strategy, with a pillar dedicated to Inclusive Protection and the integration of a dedicated indicator in the *"AXA for Progress Index"* (Refer to Section 4.1 "AXA Sustainability Strategy" of this Annual Report). This new target will be made public in 2022.

As an inclusive insurer, AXA has also pursued its COVID-19 solidarity response, notably through access to healthcare and vaccinations.

The risks related to *"Inclusive insurer"* and *"Partnership and Philanthropy"* are material for AXA according to the Sustainability Risk assessment conducted in 2021. Please refer to Section "4.1. AXA Sustainability Strategy – Sustainability risk assessment" of this Annual Report. The policies, initiatives and indicators associated with these risks are detailed in the following paragraphs.

Business-related societal challenges

As a responsible insurer, AXA strives to make insurance accessible to all. Insurance is a major catalyst for economic development and progress in society. The pooling of risks, which is at the heart of insurance, creates a system of mutual support and reinforces a sense of community. AXA aims at extending the scope of insurance by enabling populations who have traditionally been less well-protected to access insurance innovatively, through the following initiatives:

- developing a new "inclusive protection" program, in line with AXA's strategic plan;

- being actively engaged in financial inclusion with AXA Emerging Customers;
- providing insurance solutions and opportunities for women with the "Women in Insurance" initiative;
- proposing parametric insurance solutions to protect vulnerable populations from the effects of climate change, along with AXA Climate;
- ensuring access to health and disease prevention, in the context of the pandemic and beyond, through dedicated products and services;
- integrating ESG criteria in the product range through dedicated product labels such as "*Assurance citoyenne*" ("Citizen insurance").

INCLUSIVE PROTECTION

As an inclusive insurer, the main risk is the inability or difficulty to provide insurance services to the society at large, including underserved communities, while positively impacting society and fighting against poverty and inequalities, notably related to gender (refer to Section 4.1 "AXA Sustainability Strategy – Sustainability Risk Assessment" of this Annual Report). Social inclusion and the "insurance for all" are strong principles of the Company, notably after a global pandemic that worsen the protection gaps and put more vulnerable people at risk than before.

To mitigate these risks, AXA has developed in 2021 an Inclusive Protection program to deploy, with AXA's entities around the world, offers (insurance coverage or service) to better protect the underserved population. A key pillar of this program is AXA's capacity to address clients and beneficiaries' inherent characteristics such as financial situation, age, gender, sexual orientation, health, geographical location or insurance awareness, that can result in significant protection gaps. As such, AXA is taking a wider approach on inclusive protection that is both locally relevant and considers customers' evolving needs.

AXA defines an inclusive protection offer as a product (*e.g.*, design or customized) or a related service that addresses a vulnerability to meet the needs of the underserved population, to bridge a protection gap. Vulnerabilities can be caused by 1) structural or 2) occupational situations:

- structural vulnerabilities: monetary/revenues, territorial disparities, gender and age, chronic diseases, lack of access to health and protection;
- occupational vulnerabilities: micro-entrepreneurs, gig economy workers and migrant workers.

Within this context, a framework has been developed with AXA entities in 2021 with the objective of robustly defining the vulnerabilities to be addressed, leveraging existing initiatives and expanding them within the Group: solutions developed by AXA Emerging Customers, AXA Climate, "Women in Insurance", as well as developing inclusive offers for people excluded due to income, status, health, or gender. This Inclusive Protection program is transversal to tackle key vulnerabilities in mature and emerging markets, covering both individual clients as well as businesses, in all business lines.

In 2021, AXA already gathered a total of 10.6 million customers in its new Inclusive protection Program. This figure includes the scope of AXA Emerging customers (9.5 milion) and AXA Climate, "Women in Insurance" and local inclusive offers.

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, including self-employed workers, micro, small and medium enterprises, migrant workers, blue-collar workers, women, and smallholder farmers 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 proposals that are accessible, affordable, and relevant to the reality of these otherwise unserved customers. The product and services from the entity AXA Emerging Customers are designed leveraging technology and involve co-creation with customers as well as distribution partners, including mobile network operators, banks, and microfinance institutions, FMCG companies, and remittance companies.

In 2021, AXA Emerging Customers protected nearly 9.5 million customers. Business activities spanned more than 15 markets in Asia, Africa, Latin America, and Europe. These results represent a circa +60% growth *versus* the pro-forma 2020 results of 5.9 million customers – not considering the portfolio from Bharti AXA General Insurance following AXA's disposal of its stake in the Company in 2021 (22.3 million total AXA Emerging Customers clients reported in 2020).

As described in Section "Inclusive Protection" below, AXA Emerging Customers figures are also consolidated within the new Inclusive Protection program.

Achievements include the geographic expansion in 2021 into new markets, including Brazil, Turkey, Colombia and France. The focus of the year was on protecting segments that were hard hit by the COVID-19 crisis, including independent workers, migrant workers, and micro, small and medium enterprises through insurance and other related services. Some examples of this include coverage to microfinance borrowers to Egypt, Indonesia, Colombia, and Mexico, and protection for independent workers in Turkey, France and Mexico.

A project incubated in the Business for Inclusive Growth (B4IG) coalition, coordinated by AXA Emerging Customers, AXA Climate and L'Oréal was launched in 2021. Insurance Net for Smallholders (INES) aims to provide a comprehensive risk protection package (Health insurance, Parametric Climate insurance coverage and value-added services) to smallholder farmers/pickers and their families as part of L'Oréal Solidarity Sourcing programs. In 2021, two pilots were launched in Burkina Faso with L'Oréal's suppliers notably OLVEA and AXA's local partner Sonar for shea butter (21,000 women) and India with Solvay for guar (2,000 farmers and their families).

WOMEN AND INSURANCE

Women, particularly in emerging countries, are less well-insured than men, despite being a powerful force in the economy. Back in 2014, AXA published a report, "SheForShield", which looked at women's attitudes towards insurance, as well as their needs and expectations. Since then, AXA has implemented the "Women in Insurance" initiative aimed at increasing women's access to insurance products.

The three main focus areas for women are when they are: clients, entrepreneurs and in AXA's 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".

Since 2016, the "Women in Insurance" initiative has been spread in many AXA entities to locally address this holistic strategy around addressing women. As an insurer, we have two key priorities:

- empowering women entrepreneurs to take risks and seize opportunities, with customized products and services that help them develop their business, while allowing them to take better care of themselves and their family;
- improving access to healthcare solutions that take into account women's specific health and prevention needs and also supporting women in science.

By adapting current products to better include women, or designing specific products to answer their needs, the initiative gathers in 2020, 25 products in 17 entities.

Every year since 2018, AXA has been 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, since 2020, a 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.

Since 2019, through the AXA Research Fund, AXA dedicated €1 million to research to better understand and prevent health and entrepreneurial barriers for women and funded 8 health researchers around women's specific health diseases.

Between 2020 and 2021, AXA teamed up with the research firm Ipsos to survey 8,000 women from different social backgrounds in eight countries. As a result, three reports have been published, addressing the impacts of COVID-19 crisis on women. The first report examined the effect on women's incomes, job security and employment to understand the economic impact 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. The third one talked about how women's use of digital has increased during the pandemic and the digital impact on women's lives – both on risks and opportunities.

PARAMETRIC INSURANCE

AXA Climate is a committed climate insurer that accompanies its clients in their sustainability transition journey. AXA Climate's entire offer is built on best-in-class climate expertise, fully leveraging satellite technology. AXA Climate's mission is to reinvent the insurance business to support those engaged in sustainable transitions. To serve this mission, AXA Climate has developed a comprehensive set of business lines around climate change: from parametric insurance against climate risk, operational alerting, climate consultancy for industries, public sector, agriculture, and financial services, and to training to enhance skills and engage all employees in making the sustainable transition a success.

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.

With around 300 BtoB public and private sector clients worldwide, AXA Climate provides immediate protection to communities facing climate risks to prevent them from falling into poverty.

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. As an example, AXA Climate supports the National Agriculture Insurance scheme in India which allows more than 43 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.

ACCESS TO HEALTH AND DISEASE PREVENTION

In 2021, as part as the second year of the COVID-19 pandemic, mental, physical and relational health impacts are starting to emerge. That is why AXA launched a "Pulse Health Survey" examining the impact of COVID-19 on people's health and wellbeing. This survey, that was carried out in February-March 2021, jointly with the research firm Ipsos covered 14 countries and territories in Europe (Belgium, France, Germany, Italy, Spain, Switzerland, and the United Kingdom), Africa (Morocco and Nigeria), Asia (China, Hong Kong, and Japan) and the Americas (Mexico and the United States). A total 14,000 respondents were interviewed. As a result, one report has been published called "Shockwave: long term health effect of COVID-19" [59], examining the pandemic's impacts on financial, physical, and mental health status of the population.

This study showed that nearly two-thirds of the population has had problems getting treatment in the first year of pandemic. To tackle this issue, AXA has launched many business-related initiatives throughout the Group with products and services' adaptations to better ease health access to our customers. As part of the COVID-19 diagnostics, China, Thailand, and Philippines have developed symptom checkers, combined with technology. Extensions of services have been developed to address vulnerable population, such as women, with dedicated services for health prevention, cancer diagnostic and treatment in Italy and Mexico.

AXA One Health spread its network of private clinics in Egypt to provide population with quality and affordable cares. Three new clinics are launched in 2021 in central Cairo and its suburbs, for a total of five clinics launched since 2020.

At the end of 2021, AXA has committed $300 million to finance a Global Health investment strategy managed by AXA Investment Managers. This purpose-driven private equity approach will invest in products and services designed to facilitate access to high volume healthcare solutions which target reaching underserved populations in emerging and mature markets.

INTEGRATING SOCIETAL ISSUES IN THE 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 new 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.*, investment decisions based on the environmental impact, environmental services or offers for Damages insurance), 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 2021, AXA France built all new offers around these engagements and distributed in total 83 different labelled products. Since 2015, 8.4 million labelled contracts have been sold.

INCLUSIVE ECONOMY AND SOCIAL RELATED OUTREACH AND ENGAGEMENT

Tobacco Free Pledge

In 2020, AXA's strong commitments, initiated in 2016, to divest from (€1.8 billion) and to end insurance covers for the Tobacco industry, have been officially certified through the "Tobacco Free Pledge" label. This label attests AXA's constant engagement 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 its role as one of the world's largest health insurers.

TOBACCO-FREE FINANCE PLEDGE · SIGNATORY ·

[59] *"Shock wave: long-term health effects of COVID-19", AXA, 2021 https://www.axa.com/en/press/publications/long-term-health-effects-of-COVID-19*

Business for Inclusive Growth (B4IG)

For the third year in the row, 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 AXA's 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 2021, the coalition has actively continued its task and expanded the scope of its action. AXA is part of the following working groups: affordable products and services, fair transition, inclusive workplace, and ethnicity.

To be noted, in France, AXA is also a member of the "inclusive economy coalition", launched in 2018 by CEOs of 33 major French companies, including AXA, to act in favor of a more inclusive economy. This collective commitment is one of the private sector's responses to the social vulnerabilities, which can be observed in France, on three key themes: employment (apprenticeship, inclusion, and training), more accessible products and services, and inclusive purchasing.

Corporate philanthropy and engagement

Corporate philanthropy and engagement are levers of our sustainability strategy, covering our two main pillars: climate and inclusive protection.

The ESG risks assessment revealed a risk of misalignment between AXA's philanthropic and citizenship activities and the Group Sustainability strategic pillars Climate Change and Inclusive Protection. The policies detailed herewith are put in place to limit this risk. Thanks to the AXA Community investment Survey, the share of activities aligned with the Sustainability Strategy can be monitored. In 2021 78% of the €31.9 million cash donations done by AXA (including the AXA Research Fund) in the world and 78% of the 45,163 volunteering acts performed by AXA employees were done in support to climate or inclusive protection causes *versus* 87.9% of cash donations and 93% of the volunteering acts in 2020. 2020 was however an exceptional year due to additional supports to fight the COVID-19 crisis. Targets are currently being set for these indicators.

PHILANTHROPY

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 2021, AXA pursued the deployment of its philanthropic initiatives, within the new strategic cycle, aligned with the two Sustainability pillars (climate change, inclusive protection) through its Corporate Philanthropy Committee governance body.

Climate and the environment

AXA's global partnership with WWF that was signed in 2019, has been pursued in 2020 and 2021 to address climate and biodiversity issues. Through this three-year program, WWF supports AXA in its efforts to ensure that natural capital is better considered in all AXA's activities (please refer to Section 4.3 "Climate Change and ESG Integration" of this Annual Report). In addition, the philanthropy component of this program contributes directly to the preservation of ecosystems in Mexico and New Caledonia. In New Caledonia, 3 local associations dedicated to the monitoring and evaluation of Coral Reefs health status were supported. In Mexico, the "Reforestation in the Copalita Watershed" project enabled the production of 30,000 sprouts of local species for reforestation, 30 hectares of local trees were planted and 50 people from local communities trained to agroecology. Many AXA entities concluded partnerships to impact positively the environment and fight against climate change (*e.g.*, AXA Switzerland, AXA Mexico, AXA France, etc.).

Inclusive Protection

Starting in 2020, AXA partnered for 3 years with UNICEF on a program to respond to the global issue 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 the COVID-19 crisis. In 2021, the program enabled to achieve the following:

- in Brazil, 208,527 people received messages to improve their nutrition and that of their children/babies. 7,126 pregnant women in four maternity hospitals received information and materials (*e.g.*, booklets) on breastfeeding and healthy eating for children. 7,604 community health workers and teachers were trained on breastfeeding and healthy feeding for children under 5 years of age. This knowledge indirectly benefits 456,240 children. 237 adolescents (parents/pregnant teens) were trained on healthy eating for themselves and their children;

- in the Philippines, four studies were conducted and shared with national authorities to feed into the development of the national policy on obesity and overweight, and the food packaging labeling policy, 334,636 caregivers and parents received information on breastfeeding, hygiene, and appropriate complementary feeding for young children through local radio stations and online platforms. 2,169 health care workers were trained on healthy nutrition for mothers, children, and infants; to support parents and develop their knowledge on balanced nutrition. 8,944 pregnant women and 80,264 children aged 0-59 months received nutritional follow-up.

In 2021, AXA reinforced its commitment to fight COVID-19 alongside UNICEF to support the COVAX program. This initiative aims at delivering more than 2 billion COVID-19 vaccines in 98 low- and middle-income countries. AXA donated €1.5 million to UNICEF which will enable to deliver 2 doses of vaccine for 457,270 people. This includes multiple activities, including planning and coordination, vaccine transport in-countries, training health staff, community engagement, getting cold chain equipment in place and providing health workers with personal protective equipment.

Aligned with its values of protecting and passing on heritage, AXA has been engaged in significant world heritage conservation actions. Since spring 2021, AXA has been supporting the renovation and refurbishing of the Arc de Triomphe. Since 2019, support has been offered for the renovation of Madame du Barry's apartment at Château de Versailles. The work should be completed in 2022. AXA has been also supporting the reconstruction of for Notre-Dame de Paris after the fire in 2019.

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.

AXA RESEARCH FUND

The AXA Research Fund (AXARF), 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 funded over 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 2021, in the area of Climate and Environment, the AXA Chair on Wildfires and Climate at the Technical University of Crete (Greece) was selected for funding for a total of €1 million over 5 years. For the first year in 2021, in line with the Climate priority of the strategic plan *"Driving Progress 2023"*, the AXA Research fund organized the AXA Awards for Climate Science. The four supported researchers (€50,000 each) are respectively working on advancing the understanding of climate evolution, informing the predictability of occurrence and impact of extreme weather events and climate justice. The AXA Research Fund also concluded a partnership with the Intergovernmental Panel on Climate Change to support 6 PhD students working on climate science in countries in the Global South for a total amount of €200,000.

In the area of Health, the AXA Chair on Non-Communicable Diseases Epidemiology at the University of Cape Town (South Africa) was selected for a total of €1 million over 5 years. 10 fellowships for young researchers working in the area of Harmful substances (€1.250 million) were granted.

Based on its strong research network, the AXARF carried out visible dissemination efforts through continued media exposure of supported researchers. To better inform decision making, the publication "Building cyber resilience" was released in fall 2021. It brings together perspectives from academics, business, and organizations on the changing dynamics of the cyber landscape, with a view towards the mitigation of the associated risks. 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 2 pillars of our sustainability strategy: Climate and Inclusive Protection. Since 2020, an international sponsorship Committee has been set up to anchor the program even more strongly in the entities.

The COVID-19 crisis had, again in 2021, 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, healthcare workers and the most disadvantaged people through virtual operations. In 2021, close to 19,000 employees (estimated – 23,355 in 2020) donated their time and skills. Contributing entities in 2021 represent 99% of AXA average FTEs.

In 2021, AXA employees carried out a wide variety of activities (2,532 in total) and performed 45,163 volunteering acts (*versus* 35,700 in 2020). This raise in volunteering acts underlines the growing engagement of volunteers. Through the AXA Hearts in Action program, the Group seeks to promote all forms of employee engagement, particularly skills-based philanthropy. In 2021, AXA France continued to develop the "AXA Compétence Solidaire" program: 140 employees volunteered in partner associations (*versus* 147 in 2020).

AXA employees volunteered for 268, 480 hours during and outside working time (*versus* 228,000 hours in 2020), in support of solidarity projects.

A large majority of volunteering hours are performed during working time, 167,238 hours for "AXA Compétence Solidaire" and 41, 813 hours for the other activities for a total of 209,051 hours (*versus* 200,000 in 2020).

In total, the salaries paid for the hours spent on volunteering missions during working hours represent the equivalent of a donation of €7.3 million (*versus* €6.9 million in 2020).

This adds to the management overheads engaged to support the AXA Hearts in Action's activities in all entities for a total of €6.3 million in 2021 (*versus* €23.2 million in 2020). In-kind donations are also provided to non-profits or NGOs for a total estimated amount of €1.1 million in 2021 (*versus* €3.2 million in 2020) coming in addition to the Group €31.9 million cash donation including AXA Research Fund and AXA Hearts in action.

AXA Tianping (China) also made a one-time in-kind donation in 2021 by providing medical coverage to groups of vulnerable elderly people in the southern mountainous areas and Shandong province. The estimated value of this in-kind donation was €118.4 million.

Community investments represent the vast majority, 84%, of the AXA citizenship investments (volunteering hours, cash donations, in-kind donations), 14% are invested in charitable donations and 2% for commercial initiatives (*versus* respectively 60%, 38% and 2% in 2020).

For more than 10 years, AXA has been organizing the AXA Week for Good to highlight the community investment of its employees. During the 2021 edition of the AXA Week for Good, 459 activities were coordinated and a total of 11,055 unique volunteers were mobilized across the Group. The Global Challenge organized by several entities and consisting in collecting trash in nature was carried out by approximately 3,500 volunteers within the Group who collected 9,632 trash bags in total.

In November 2021, AXA Hearts in Action celebrated its 30th anniversary. At AXA France and in French entities, 862 actions were organized throughout the year, including 97 directly related to the 30th anniversary, and 13,045 volunteering acts were carried out.

4.5 BUSINESS BEHAVIOR

AXA is committed to conducting its business according to 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.

The policies presented below cover the business behavior risks. The indicators associated with these "Business Behavior" risks are explained in the following paragraphs.

Business ethics

COMPLIANCE & ETHICS CODE

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 oversees the global ABC program at Group level and controls 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. Every year since 2018, 100% of CEOs within the scope of the AXA Standards certification process have certified their level of compliance with the anti-bribery & corruption part (in line with the 100% target).

BUSINESS CONDUCT

The Group's insurance, Asset Management and banking 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, by encouraging transparency or being honest and accountable when promoting products and services.

Among the most recent initiatives, a set of recommendations on key customer protection topics have been shared with a view of reinforcing uniformity of practices within the Group. The main objective is to continuously improve customer's consideration wherever they may be. These recommendations represent a support for the entities to apprehend subjects such as vulnerable customers, customer information, digitalization, and complaints handling. They guide each entity in implementing responsible practices based on transparency, honesty, and fairness for the customer.

The compliance program of customer protection reviews in place for some years has continued. It consists of reviewing how the entities locally manage the customer protection topics and the processes in place, especially regarding customer information, sales practices, or salesforce training. These reviews, initially focused on most of the European entities, will be progressively extended to other entities on a risk-based approach.

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 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 the scope of application of the PAP respect the principles of "value for customer". Every year since 2018, 100% of CEOs have certified on the compliance level of the Group entities in scope of the AXA Standards certification process (in line with the 100% target), which engaged them to conduct a PAP and all Life & Savings, Health and Property & Casualty products have been subject to the AXA's Product Approval Process.

AXA's intention is to offer its customers easy-to-understand products that meet their needs and expectations, a commitment that has been reinforced in 2021, notably with the update of the compliance check list to be carried out during any new product development. This step, which is part of the PAP governance process, already described below, aims to ensure that the products offered meet customers' expectations, for example by analyzing that the products' characteristics are communicated to distributors beforehand in order to guarantee good customer information, or that training on products is regularly followed.

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, *via* a robust security strategy.

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 2021 (also 99% in 2020 and 79% in 2019, which is explained by the impact of AXA XL, whose integration into Binding Corporate Rules was not completed in 2019), in line with the 99% target. 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 (https://www.axa.com/en/about-us/cyber-data-privacy#tab=our-commitments).

The AXA Group implemented 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.

A SECURITY STRATEGY DESIGNED TO GUARANTEE THE PROTECTION OF DATA

With the massive digitization of society, cyber risk is considered today one of the top risks that citizens and companies must face.

To respond to this threat, and as a 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/Cyber Security, Operational Resilience and Physical Security & Safety.

This converged organization to manage security comes with an ambitious commitment to maintain AXA's most mature entities within 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 27001 norms. In 2021, AXA has reached a 3.12 score (for a scope representing the 19 most mature entities of the Group), beyond the 3.00 average that leads to the first quartile of the most secure companies in the industry. In 2021, AXA implemented its new security strategy aimed at ensuring that the Group's most mature entities remain in the top quartile of most secure entities in our industry, while broadening scope execution to all the Group's other entities. This security strategy, called the "One Security Strategy", uses a risk-based approach that ensures that we continuously consider and adapt to the evolution of risks and threats.

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 (including physical security, health & safety, operational resilience & information security), data protection and cybersecurity trainings are deployed across group. Thus, in 2021, 100% of salaried and non-salaried employees have been trained and certified.

RESPONSIBLE USAGE OF ARTIFICIAL INTELLIGENCE

In terms of governance, in 2021, AXA set up a Responsible Artificial Intelligence Committee that aims to cover the issues of applying trustworthy Artificial Intelligence (AI) within the Group. Taking the form of an agile governance that brings together all stakeholders involved in the development of AI solutions, this Committee works on operational tools for business and Group functions and internal guidance on responsible AI in line with the latest regulatory framework development on Trustworthy Artificial Intelligence principles.

AXA has also been working closely with regulators (EIOPA Digital Ethics Committee, MAS Veritas initiative for instance) and research centers (Sorbonne University, Stanford University etc.) on developing State of the Art solutions and guidance for effective AI governance in the insurance industry that respect ethical principles. This cooperation helps build sustainable efforts on implementing new internal and operational guidelines covering the responsible usage of machine learning and AI.

Within the French association Impact AI, AXA is leading the Impact AI's Responsible AI Committee in charge of analyzing the perception of AI and the development of a "trusted AI", producing white papers on the topic, along with other members (industrial partners, consulting, and tech companies).

In addition, AXA leads research on Responsible AI principles. Both fundamental and applied research on Responsible AI principles (fairness, explainability, robustness) are developed to investigate technical solutions useful across the different segments of the insurance value chain. These efforts are testimony to AXA's business transformation regarding the development and adoption of AI solutions in line with the Group responsible data and AI policy.

Responsible procurement

Translating AXA's Sustainability strategy and commitments into its management of vendors is a 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 – AXA Group tax policy" of this Annual Report. In 2021, all AXA entities certified compliance with AXA Tax Policy and Tax Ethic Code (relating to 2020). The Tax transparency report published in 2021 covers 90% of the Group Tax footprint (relating to 2020).

4.6 VIGILANCE PLAN

The AXA Group is committed to promoting and protecting human rights and the environment in conducting its business and its internal operations.

To comply with applicable French law requirements [60], 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 2021 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 internal 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 sustainability, safety, whistleblowing and personal data protection, and operate accordingly. These common measures do not prevent, nor 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 assessment of how the AXA Group's activities and operations may potentially impact the environment and each of the human rights.

The work carried out by AXA to establish its mapping of sustainability 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 and internal operations 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 relations with corporate customers or investments in companies, which are active in sectors and/or countries with increased risks of human rights violations.

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) and its internal operations. The most recent study was carried out in 2020, with the help of an independent firm. It identified risks in areas such as the right to free movement, equality before the law and non-discrimination (with respect to minorities), freedom 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

[60] *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.*

(www.axa.com/en/about-us/our-commitment-to-human-rights). In addition, the AXA Group is particularly vigilant with respect to risks affecting the health and safety of its employees in the workplace.

ENVIRONMENT

As a responsible company

Environmental risks were already identified in the AXA Group's risk mapping, particularly those related to climate change and biodiversity. As an insurance company, AXA's direct environmental footprint is essentially related to the operation of offices and IT materials, business travels, water, electricity, paper consumption and other staple consumer products and generation of waste. The global environment footprint of the AXA Group is thus largely based on its indirect environmental footprint, including its investments and underwriting activities, as indicated hereafter.

AXA's direct environmental reporting and management processes focus on energy, water and paper consumption, as well as related CO_2 emissions. AXA's direct environmental reporting process, which is verified by an independent third-party, allows AXA to (i) evaluate its impact on the environment every year and (ii) identify the risks stemming from its internal operations for the environment. Please refer to Section 4.3 "Climate Change and ESG Integration – Own operations' impact on climate change – 2021 environmental performance" of this Annual Report for further information on AXA's environmental footprint.

As a responsible business partner

AXA has implemented processes to identify and assess the 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 procurement categories with the highest levels of ESG risk are invited to share their EcoVadis scores.

As an insurer and as an investor

The AXA Group seeks to prevent or mitigate adverse impacts on the environment that arise from its investment and underwriting activities by applying its analytical framework to identify potential indirect impacts on the environment and incorporating ESG criteria into its business processes as well as into its investment strategy, as presented in the Section "Protection of human rights and environment" that follows.

Protection of Human Rights and 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 in relation to the Group's activities and internal operations and reflects AXA's commitment to international general and sector-specific standards. The AXA Group is committed to respecting internationally recognized human rights principles as defined by:

- the United Nations Universal Declaration of Human Rights;
- the core standards of the International Labour Organization (ILO);
- the Guiding Principles on Business and Human Rights (implementation of the United Nations "Protect, Respect and Remedy" Framework or "Ruggie Principles");
- the United Nations Global Compact;
- the UN Principles for Sustainable Insurance (UN PSI);
- the UN Principles for Responsible Investment (UN PRI);
- the Task Force on Climate-related Financial Disclosures (TCFD); and

- the OECD recommendations and the Global Deal.

AXA is also committed to coalitions with other companies, such as, on an international scale, the Business for Inclusive Growth (B4IG) coalition since 2019 and, in France, the "*Collectif des entreprises pour une économie plus inclusive*" (Business collective for a more inclusive economy) since 2018. For more information on AXA's commitments to coalitions for a more inclusive economy, please refer to Section 4.4 "Inclusive Insurer – Business-related societal challenges – Inclusive economy and social related outreach and engagement – Business for Inclusive Growth (B4IG)" of this Annual Report. AXA's human rights policy describes the Group's commitments in conducting its business as a responsible employer and business partner, an insurer and an investor. It also indicates how the protection of human rights is implemented at the core of the Group's activities and internal operations.

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 Inclusion and Diversity targets and initiatives. See further details on Inclusion and Diversity in Section 4.2 "Employer Responsibility – Accelerating AXA progress on inclusion and diversity" 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 executives must annually certify the compliance of their activity with the Code.

Protection of employee safety, health and security

As regards employee health, the AXA Group launched in November 2020 an innovative global program to improve the health and well-being of its employees around the world. This program was extended in 2021. Please refer to Section 4.2 "Employer Responsibility – Championing employees' health and wellbeing – Implementation of AXA "Healthy You" program with additional services" of this Annual Report for further information on this global program on health and well-being.

In addition, the AXA Group has gone a step further on tackling mental health issues. Please refer to Section 4.2 "Employer Responsibility – Championing employees' health and wellbeing – Reinforcing mind health support" of this Annual Report for further information on initiatives related to mental health.

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.

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" of this Annual Report.

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, as well as with the principles of the Task Force on Climate-related Financial Disclosures (TCFD).

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, among the Group's insurance activities, of certain socially or environmentally sensitive sectors or practices (which can be directly or indirectly related to human rights) and with increased risks, such as controversial weapons industries. Insurance restrictions are detailed in Section 4.3 "Climate Change and ESG integration –Insurance – Underwriting Restrictions" of this Annual Report.

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;
- designing products and services to meet the needs of vulnerable populations, in order to reduce coverage disparities, close a protection gap and empower insured people to achieve positive outcomes with regard to health and safety. As an example, the "Women in Insurance" initiative, presented in Section 4.4 "Inclusive Insurer – Business-related societal challenges – Women and Insurance" of this Annual Report, aims to increase women's access to insurance products and services. AXA is also adapting insurance to the needs of emerging clients as described in Section 4.4. "Inclusive Insurer – Business-related societal challenges – Emerging customers and initiatives to foster more resilience" of this Annual Report;
- integrating environmental issues into the Group's insurance business activities. Within this framework, AXA applies the underwriting rules, as mentioned above, and offers insurance solutions which assist communities in facing the consequences of climate change. For instance, parametric insurance products support insured communities in dealing with the impact of climate-related disasters on agricultural crops. For further details on the parametric insurance offer, please refer to Section 4.4 "Inclusive Insurer – Business-Related Societal Challenges – Parametric Insurance" of this Annual Report;
- strengthening its digital presence for a better accessibility of products and services as well as a simplification of interactions with its customers;
- having sales practices that respect the customer, in particular by providing them with transparent and adapted information;
- dealing with claims in a prompt, fair, sensitive and transparent manner and ensuring that these processes are clearly explained and understood;
- using data in a responsible manner and safeguarding clients' privacy, following its Data Privacy Declarations and Binding Corporate Rules with respect to data protection to ensure that its actions with regard to data privacy are responsible, transparent and ethical;
- providing customers with the means to express and resolve any disputes that may arise with AXA Group companies, notably through dedicated complaints departments; and
- implementing internal controls to ensure the effectiveness of processes.

Integration of human rights into investments

The AXA Group has proactively implemented a global Responsible Investment Policy and sectoral policies (including, as an example, a policy on controversial weapons), and built an analytical framework to identify potential indirect impacts on human rights.

The ESG assessment of the companies in which AXA has invested, or contemplates making an investment, incorporates the following human rights-related inputs: (i) fundamental principles such as those of the United Nations Global Compact, the ILO as well as OECD recommendations, and (ii) the reputation and potential controversies regarding these companies. This assessment is regularly updated.

Please refer to Sections 4.3 "Climate Change and ESG Integration", 4.4 "Inclusive Insurer – Business-related societal challenges" 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 AXA'S SUSTAINABILITY STRATEGY

As a responsible company

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. Some of 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 ESG Integration – Own operations' impact on climate change" of this Annual Report for further details on AXA policies for the reduction of carbon emissions.

Certain buildings occupied by AXA benefit from environmental certificates such as BREEAM, LEED and HQE. Please refer to Section 4.3 "Climate Change and ESG Integration – Own operations' impact on climate change – 2021 Environmental Performance – Energy Consumption" of this Annual Report for further details on AXA's certifications.

As an insurer and an investor

The AXA Group seeks to prevent or minimize adverse impacts on the environment, namely by:

- offering customers insurance and investment solutions that promote environmentally friendly behaviour;
- applying policies designed to address issues associated with its investments and underwriting activities for sectors that are particularly sensitive from an ESG perspective. These sector specific policies cover human rights and environmental concerns (*e.g.,* oil & gas) and are subject to an annual certification process carried out by entities of the Group;
- committing to align its investments and its underwriting activities with the Paris Agreement, to reach a "warming potential" of +1.5°C by 2050.

AXA also supports initiatives related to climate change and environmental protection, as detailed in Section 4.3 "Climate Change and ESG Integration – Climate, Biodiversity and ESG-related "outreach" and engagement" of this Annual Report. In addition, as stated above for the protection of human rights (please refer to the paragraph "Protection of Human Rights and Environment – Protection of Human Rights and Human Rights policy – Integration of human rights into investments" in this Section), AXA has implemented a Responsible Investment Policy and an analytical framework to identify potential indirect environmental impacts. The ESG assessment is used to give a score to the companies in which AXA has invested, or contemplates making an investment. The list of criteria and sectoral weighting matrix that apply to the various ESG sub-criteria are regularly reviewed for a better grasp of the most significant issues for each sector. AXA applies a minimum threshold below which companies are excluded from its contemplated investments. This assessment is updated by AXA every six months.

The Group's Responsible Investment Policy is available on the AXA Group's website (www.axa.com/en/about-us/responsible-investment).

Please refer to Section 4.3 "Climate change and ESG Integration" of this Annual Report for further details on AXA's strategy, policy, targets and results with respect to environmental protection.

Alert procedure

The current alert procedure allows all stakeholders (employees, business partners, etc.) to share without any delay 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 named "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 2021, 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 Sustainability, Procurement, Legal, Compliance, Risk Management and Human Resources Departments and (ii) a network of local correspondents.

REPORTING PROCESS

In 2021, 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 network attended these sessions in 2021.

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 Sustainability Department. Each year, the principal operating entities are asked to conduct an internal risk assessment to identify any gaps with the vigilance plan.

Following the assessment conducted in 2021, gaps were identified and the relevant entities shall implement 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 procurement contracts;
- the strengthening of supplier monitoring in high ESG risk categories through EcoVadis;
- the raising of human rights awareness among employees, such as the inclusion of people with temporary or permanent disabilities; and
- the adjustment of local alert procedures to cover matters related to human rights and the environment.

RESPONSIBLE PURCHASING BUSINESS

Translating AXA's Sustainability strategy and commitments into its management of suppliers is a continuous activity for AXA. This alignment means that AXA integrates sustainability considerations to select and monitor its suppliers. This approach is articulated around two axes:

- **Responsible people & processes:** all the AXA Group professionals working in a procurement department must sign the Group's Code of Professional Conduct but also a dedicated and reinforced Code of Ethics, which promotes fairness and neutrality, confidentiality and transparency of sourcing decisions. The professionals are also trained to the AXA Sustainability strategy and the AXA Responsible Procurement policy through awareness sessions given by the network of Responsible Procurement identified in our various entities.
- **Responsible vendors:**
  - An ESG criteria' grid was shared during the first half of 2021 across the Procurement teams and integrated into the Group's calls for tenders. Criteria may vary according to the category of purchases. As an example, they may involve the EcoVadis rating, the carbon emissions of suppliers' products and services, and their responsible procurement policy. Since January 2022, the number of tenders including ESG criteria is tracked by the Procurement teams.
  - AXA requires from its vendors to include a "corporate responsibility clause", which is mandatory in its contracts. It includes, in particular, complying with the principles of the ILO (prohibiting the use of child/forced labour, promoting employee health & safety and freedom of expression, and non-discrimination). 96.8% of the procurement contracts entered or renewed in 2021 included this corporate responsibility clause (*versus* 96.6% in 2020).
  - AXA implemented an assessment of the extra-financial risks of its suppliers, identified thanks to an internal Risk Matrix by procurement category (please refer to section "Vigilance Plan – Identification and Evaluation of Risks to Human Rights and the Environment – Environment – As a Responsible Business Partner" above). 72.5% of the vendors evaluated in 2021 shared a Bronze or higher EcoVadis scoring (*versus* 67.2% in 2020).
  - Aware of the carbon emissions' impact from its activities, the Group is working to implement best practices to be in line with its objective to reduce carbon emissions by 20% by 2025. AXA has therefore implemented locally new sustainable ways of buying, *e.g.* greening of car fleets, purchases of green energy on offices and data centres, deployment of new measures for IT purchases (*e.g.*, by asking 10 of its key providers to communicate their services and products' carbon footprint link to AXA's purchases). All these best practices applied locally are shared by the Responsible Procurement community in order to promote a wider deployment.

Detailed information on AXA's Responsible Procurement policy and AXA standards regarding procurement is provided in AXA's Group Procurement Guidelines. The document is used for supplier selection and management purposes.

Since 2018, AXA uses 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 is pursuing its commitment in implementing these same principles 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).

4.7 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENTS INCLUDED IN THE GROUP MANAGEMENT REPORT

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2021

To the AXA SA Annual General Meeting

In our capacity as Statutory Auditor of AXA SA (hereinafter the "entity"), appointed as an independent third party and accredited by Cofrac (Cofrac Inspection Accreditation n°3-1060, whose scope is available at www.cofrac.fr), we conducted our work in order to provide a report expressing a limited assurance conclusion on the historical information (observed and extrapolated) of the consolidated non-financial information statement (hereinafter respectively the "Information" and the "Statement"), prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), for year ended on December 31, 2021, included in the management report pursuant to the legal and regulatory provisions of Articles L.225 102-1, R.225-105 and R.225-105-1 of the French Commercial Code *(Code de commerce)*.

Conclusion

Based on the procedures performed, as described in the "Nature and scope of our work" Section, and the elements that we have collected, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not compliant with the applicable regulatory provisions and that the Information, taken as a whole, are not presented fairly in accordance with the Guidelines.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used framework or established practices on which to evaluate and measure the Information permits the use of different, but acceptable, measurement techniques that may affect comparability between entities and through time.

Consequently, the Information needs to be read and understood with reference to the Guidelines, significant elements of which are disclosed in the Statement and available upon request from the entity's headquarters.

The entity's responsibility

The Board of Directors is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- the preparation of the Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of those policies, including key performance indicators and the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- designing, implementing and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the entity's Guidelines as mentioned above.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R.225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R.225-105 I, 3 and II of the French Commercial Code, *i.e.*, the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

It is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions (in particular the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the French duty of care law and anti-corruption and tax evasion legislation);
- the fairness of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- the compliance of products and services with the applicable regulations.

Regulatory provisions and professional standards applicable

The work described below was performed in accordance with the provisions of Articles A.225-1 *et seq.* of the French Commercial Code and with the professional guidance of the French Institute of Statutory Auditors (CNCC) applicable to such engagements, as well as with ISAE 3000 (Revised) – *Assurance Engagements other than Audits or Reviews of Historical Financial Information.*

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the French Code of Ethics *(Code de déontologie)* of Statutory Auditors. In addition, we have implemented a system of quality control including documented policies and procedures to ensure the compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Means and resources

Our work was carried out by a team of 10 people between September 2021 and March 2022 and took a total of 9 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted 16 interviews with people responsible for preparing the Statement, representing among others Sustainability, Risk Management, Compliance, Tax, Procurement, IT and Human Resources.

Nature and scope of our work

We planned and performed our work considering the risk of material misstatement of the Information.

We consider that the procedures we performed were based on our professional judgment and allowed us to provide a limited level of assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L.225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents information set out in Article L.225-105-1 II where relevant to the principal risks and includes an explanation for the absence of the information required under Article L.225-102-1 III, 2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes, including key performance indicators related to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assessed the process used to identify and confirm the principal risks and the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented, and

- corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in the appendix. For several risks (stakeholders engagement practices, climate-related risks, biodiversity, inclusive insurance, anti-bribery & fight against corruption, business conduct, tax policy, personal data protection, and responsible procurement), our work was performed at the consolidation entity level; for the remaining risks, our work was performed at the consolidation entity level and on a selection of contributing entities which are, on social data [61], on societal data [62], and on environmental data [63];

- we verified that the Statement covers the scope of consolidation, *i.e.*, all the companies included in the scope of consolidation in accordance with Article L.233-16, within the limitations set out in the Statement;
- we asked what internal control and Risk Management procedures the entity has put in place and assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in the appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities which are, on social data [64], on societal data [65], and on environmental data [1], and covers between 19% and 46% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with the professional guidance of the French Institute of Statutory Auditors (CNCC); a higher level of assurance would have required us to carry out more extensive procedures.

Neuilly-sur-Seine, March 21, 2022

One of the Statutory Auditors
PricewaterhouseCoopers Audit
Audit

Sylvain Lambert
Sustainable Development Partner

Bénédicte Vignon
Partner

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[61] *AXA Belgium, AXA Tianping Property & Casualty Insurance Company Limited, AXA Services Egypt S.A.E., AXA General Insurance Egypt., AXA Life Insurance Egypt S.A.E., AXA Ireland, AXA XL in the US, AXA Services Ltd, AXA XL in India, AXA Business Services India, AXA Seguros Mexico.*

[62] *AXA Tianping (HQ), AXA France (AXA Atout Cœur), AXA Holdings Centrales, AXA Krungthai (Life), AXA Indonesia.*

[63] *AXA XL in the US, AXA Tianping (HQ), AXA Egypt, AXA France (Les Terrasses 1,2,3 (Nanterre), Lyon, Marly Le Roi), AXA XL in India, AXA Business Services India, AXA Seguros Mexico, AXA Switzerland, AXA Insurance Thailand, AXA Life Insurance Japan (limited scope), AXA UK & Ireland (limited scope), AXA Philippines Life (limited scope).*

[64] *AXA Belgium, AXA Tianping Property & Casualty Insurance Company Limited, AXA Services Egypt S.A.E., AXA General Insurance Egypt., AXA Life Insurance Egypt S.A.E., AXA Ireland, AXA XL in the US, AXA Services Ltd, AXA XL in India, AXA Business Services India, AXA Seguros Mexico.*

[65] *AXA Tianping (HQ), AXA France (AXA Atout Cœur), AXA Holdings Centrales, AXA Krungthai (Life), AXA Indonesia.*

Appendix: List of the information we considered most important

Key performance indicators and other quantitative results:

- Climate change and biodiversity: energy consumption, distance covered by business travel and vehicle fleet, CO_2 emission by scope, water consumption, office and marketing paper consumption, waste production, "green" investments, AXA's investments Warming Potential and carbon footprint, insurance products with a positive impact on the environment through the guarantees or services offered, financial commitments to reforestation, AXA's digital carbon footprint;
- Employer responsibility: headcounts and distribution, number of external recruitments, number of resignations, number of dismissals, annual gross payroll (fixed and variable), number of training days, absenteeism rate, "employee Net Promoter Score", salaried employees with teleworking arrangements, salaried employees having been trained at least once during the year, AXA's gender parity amongst Top Senior Executives;
- Inclusive insurance: number of emerging customers,
- Partnerships & philanthropy: engagement rate of AXA employees in volunteering, cash donations for community investment projects, number of employees who participated to volunteering acts, number of volunteering acts, total hours contributed to volunteering acts during working time, share of volunteering acts performed by AXA employees done in support to climate or inclusive protection causes;
- Business behaviour: entities having certified AXA Standards on Product Approval Process, revenues covered by Binding Corporate Rules, Scoring ISO 27001, share of new contracts that include a Corporate Responsibility clause, suppliers having a good ESG external rating;
- Fight against corruption: entities having certified AXA Standards on Anti-bribery & fight against corruption;
- Fight against tax evasion: entities having certified compliance with AXA Group tax policy & tax code of ethics, coverage of Group tax footprint in Tax Transparency report;
- Governance: number of external stakeholders' panels where AXA is present.

Qualitative information (actions and results):

- Stakeholders engagement;
- Safe environment;
- Inclusion and Diversity;
- Talent management/loss of key staff;
- AXA's impact on climate change: own operations' environmental footprint;
- AXA's impact on climate change as an investor;
- Impact of climate change on AXA as an investor;
- AXA's impact on climate change as an insurer;
- Impact of climate change on AXA as an insurer;
- Impact of climate change on AXA operations;
- AXA's impact on biodiversity;
- Inclusive insurer;
- Partnership & philanthropy;
- Anti-bribery & fight against corruption;
- Business conduct;
- Responsible procurement;
- Tax policy;
- Responsible data use, data privacy, and data security.

AXA Bank Belgium
member of Crelan Group

Contact us

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contact@axa.be

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linkedin.com/company/axa-bank-belgium

FREE TRANSLATION FROM THE DUTCH AND FRENCH REPORT

AXA BANK BELGIUM NV/SA

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2021

14 April 2022

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 2021

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 23 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 2021, 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' 29.281.256 and a profit for the year of EUR '000' 92.673.

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 2021, 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.

Credit risk and impairment of loans

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 2021 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 2021 the gross loans and receivables at amortised cost, excluding credit institutions, amount to EUR 25.986 million, the total impairment at that date amounts to EUR 76,6 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 AXA S.A. 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.

Diegem, 14 April 2022

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
Represented by

Gregory Joos
Réviseur d’Entreprises / Bedrijfsrevisor