AXA Bank Europe

Disclosure Report 2010

redefining / standards

Index

Executive summary

The purpose of this report is to provide market participants with relevant information concerning AXA Bank Europe's activities, risk profile, financial governance, capital adequacy and risk management.

AXA Bank Europe (hereafter: ABE) is AXA Group's banking arm. On 31/12/2010, it provided retail banking solutions to individuals and small companies in Belgium, Switzerland, Hungary and Czech Republic. It also provides hedging services to AXA insurance companies for their variable annuities products. Finally, it facilitates AXA insurance companies with access to the money markets via repo and reverse repo agreements.

Overall, AXA Bank Europe's risk profile remains conservative:

- The bank is mainly exposed to retail credit risk through its portfolio of retail loans (consumer, mortgage and small enterprises) in Belgium and of retail mortgage loans in Hungary.
- It maintains a very prudent approach to market risk. AXA Bank Europe's treasury and financial market activities are focused on the risk management of liquidity, interest rate and Forex positions generated by the bank's portfolio.
- Growing exposures to interest rate derivatives taken to provide hedging services to AXA insurance companies are mitigated by strict back-to-back hedging and collateral management policies.
- Finally, in 2010, the bank's modified its (already prudent) investment policy to focus on Basel III liquidity eligible assets. ABE only maintains credit exposures on well rated sovereigns, financial institutions and asset backed securities (although the latter have been put in runoff).

AXA Bank Europe's strategic financial decisions are taken by its Board of Directors and managed by its Management Board. AXA Bank Europe's internal capital adequacy assessment and strategic planning processes take into account capital required to mitigate all material risks, capital required for expected business growth, intra-risk diversification benefits, liquidity requirements and stress testing results. Its capital allocation processes also incorporate Return On Risk-Adjusted Capital (RORAC) analysis.

The bank aims to meet all regulatory capital obligations and to remain sufficiently capitalized to be able to cover its risks at all time at a 99.90% confidence interval over a one year period. On 31/12/2010, AXA Bank Europe's core tier 1 ratio was 28.87%, exceeding both market average and legal requirements. AXA Bank Europe's internally defined available capital also exceeded AXA Bank Europe's economic capital by a comfortable margin.

Through the nature of its activities, ABE benefits from a very sound liquidity situation. The bank maintains a comfortable liquidity buffer exceeding the regulatory requirements that came into force at the end of 2010.

1. Presenting AXA Bank Europe

The purpose of this section is to provide the reader with relevant information on AXA Bank Europe. This section starts by presenting AXA Bank Europe's strategy. It then describes the bank's corporate structure, business activities, risk management objectives, risk taxonomy, risk management organization and disclosure policy.

1.1. Strategy

AXA Bank Europe is fully integrated in the Group strategy by offering a range of banking products to retail clients and by playing a key role in the Life & Savings strategy.

Retail strategy: ABE is AXA Group's banking arm that provides retail banking solutions to individuals and small companies in selected European countries. It works in close cooperation with AXA's local insurance companies to complement their financial product offering with a range of retail banking products. The focus is set on prime clients, with the objective to develop cross selling opportunities, increase clients' loyalty and retention, but also to reinforce distribution loyalty & productivity

Fee business with AXA Group: ABE is also the key competence centre for the AXA Group in the context of its savings and investment / structured product strategy. The bank contributes to the different steps of the value chain for savings and investment products (EMTN and Variable Annuities). By giving advice without taking risk positions, the bank diversifies its source of fee income.

These core activities are supported by centralized ALM and treasury activities. These activities aim at minimizing the Bank's liquidity, interest rate and foreign exchange risk, under particularly strict back-to-back hedging and collateral management policies..

ABE's investment policy guarantees that its liquidity excesses are invested according to the upcoming Basel III framework. As such it invests and maintains exposures in high quality assets (see section 3.2.2). ABE conservative liquidity policy requires liquidity buffers higher than the regulatory requirements, and sufficient to absorb extremely severe stress scenarios.

ABE does not engage in equity or commodities trading. Being a retail bank, ABE does not involve itself in investment banking, corporate banking or trade finance activities.

1.2. Corporate structure

This 2010 disclosure report applies to the ABE entities that are described in the following table:

Banking entities	Direct ownership on 31/12/2009	Type of entity
AXA Bank Europe SA	*	Head Office (Includes Belgium Branch)
AXA Bank Europe Hungary	*	Branch
AXA Bank Europe Switzerland	*	Branch
AXA Bank Europe Czech Republic	*	Branch

AXA Bank Europe Slovakia	*	Branch
AXA Bank Europe SCF	99.99%	Subsidiary
Non Banking Entities		
AXA Hedging Services (Ireland)	100%**	Subsidiary
AXA Belgium Finance	100%	Subsidiary
Beran	99.9%	Subsidiary
Motor Finance Company	99.9%	Subsidiary
Royal Street	10%	SPV

* AXA Bank Europe's branches are not separate legal entities from AXA Bank Europe SA. ** AXA Hedging Services (Ireland) maintains a branch in Paris – France.

It should be noted that only the banking entities mentioned in the first part of the above table generate material risks for ABE (see risk taxonomy section 1.5 below) . ABE's IFRS consolidation scope is described in section 2.1 of its IFRS Consolidated Financial Statements 2010.

1.3. Business activities

ABE's main business activities[1] can be described through the following table:

Banking Entities*	Business Line	Description of activities
AXA Bank Europe SA (head office)	European ALM	Structural management of ABE's balance sheet, namely optimization of the bank's liquidity & interest rate risk positions
	Treasury & Forex	Short term management of ABE's liquidity & interest rate risk positions, as well as Forex and market risk exposures
	Portfolio Management	Management of ABE's high quality investment portfolio structured to optimize compliance with Basel III's liquidity requirements
	Services to AXA Group (AXA Hedging Services)	Back-to-back** hedging of derivatives for AXA Group insurance companies
AXA Bank Europe Belgium	Retail credits, retail deposits & saving products, daily banking	Provides consumer loans, mortgage loans and commercial loans, as well as savings & investments products to retail customers
AXA Bank Europe Hungary	Mortgage loans Retail deposits & saving products	Provides mortgage loans as well as saving and current accounts to retail customers
AXA Bank Europe in Switzerland	Retail deposits & saving products	Provides saving accounts to retail customers
AXA Bank Europe in the Czech Republic	Retail deposits & saving products	Provides saving accounts to retail customers
AXA Bank Europe in Slovakia	Retail deposits & saving products	Activities not yet launched in 2010

* AXA Bank Europe's foreign entities are bank branches of AXA Bank Europe SA without separate legal personality. ** A very limited market V@R is maintained for operational purposes.

[1] Not under run-off.

1.4. Risk management objectives

ABE's risk management architecture was built to ensure the following objectives are attained:

- All risks to ABE's objectives are identified and described in a comprehensive risk taxonomy;

- Proper risk management systems (including models) are developed, validated, reviewed and maintained in order to quantitatively measure and/or assess the bank's material risks;

- Triggers and limits are defined and monitored to keep identified material risks at desired risk appetite levels;

- The management of risks is embedded into ABE' strategic decision making process;

- Adequate risk reporting and escalation processes are in place to inform ABE' senior management in due time of relevant risk exposures;

- New products, or modification to existing products, undergo a formal and efficient product approval process which takes risks into account before their launch or implementation;

- Adequate risk appetite, including liquidity and capital allocation processes are in place to ensure that the bank's use of its financial resources is optimized;

- Timely and adequate reports are produced to keep key external stakeholders (such as the regulator) informed of ABE's risk positions;

- Applicable banking regulation and group policies are complied with.

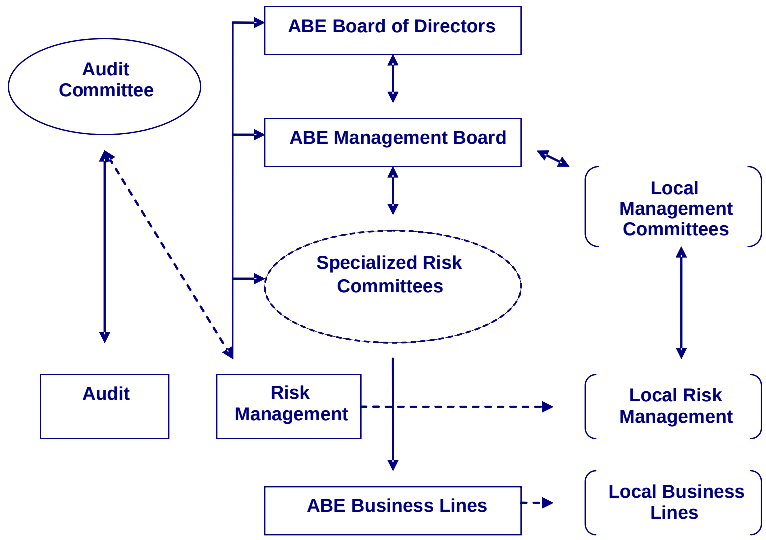
1.5. Risk taxonomy

ABE's Risk Management department maintains a risk taxonomy which provides a centralized definition for all the risks faced by the entities mentioned in section 1.2. The risk taxonomy identifies those risks which are managed centrally (at the head office level) against those which are co-managed through central & local efforts (at branches or subsidiaries level). It can be summarized through the following table:

Risk Taxonomy		ABE					Branches, Subsidiaries and Affiliates					
		ALM	Treasury	Forex	Derivatives	Investment	AB Belgium (Retail)	AB Hungary (Retail)	AB Switzerland (Retail)	AB Czech Republic (Retail)	AXA Hedging Services	Other Minor Entities
Strategic & Integrity Risk	Strategic Risk											
	Reputational Risk											
	Remuneration Policy Risk											Immaterial
Business Risk	Commercial Margins, Spreads & Fees	N/A	N/A	N/A	N/A	N/A					Immaterial	Immaterial
	Counterparty – Retail	N/A	N/A	N/A	N/A	N/A			N/A	N/A	N/A	N/A
	Counterparty – Fin. Instit.						N/A	N/A	N/A	N/A	N/A	N/A
	Counterparty – Corp.	N/A		N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A
	Counterparty - Sovereign			N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A
	Counterparty – Securitiz.	N/A	N/A	N/A	N/A	Run-off	N/A	N/A	N/A	N/A	N/A	N/A
	Participation Risk	N/A	N/A	N/A	N/A	Immaterial	N/A	N/A	N/A	N/A	N/A	N/A
	CR Concentrations			N/A	N/A				N/A	N/A	N/A	N/A
Credit Risk	Settlement Risk						N/A	N/A	N/A	N/A	N/A	N/A
	IRR (Structural)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Basis Risk	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A
	IRR (Non Structural)	N/A	Immaterial	N/A	Immaterial	Immaterial	N/A	N/A	N/A	N/A	N/A	N/A
	Credit Spread Risk	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Exchange Rate Risk		N/A		N/A	N/A	N/A		N/A	N/A	N/A	N/A
	Price Risk – Equity	N/A	N/A	N/A	N/A	Run Off	N/A	N/A	N/A	N/A	N/A	N/A
	Residual Risk	N/A	Immaterial	Immaterial	Immaterial	Immaterial					N/A	N/A
Market Risk	Market Liquidity Risk	N/A	N/A	N/A	N/A	Immaterial	N/A	N/A	N/A	N/A	N/A	N/A
Liquidity Risk	Short Term Liquidity Risk	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Structural Liquidity Risk		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Contingent Liquidity Risk	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Country Risk			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operational Risks**	Operational Risk											
	Compliance Risk											
	Model Risk		Immaterial	Immaterial	Immaterial	Immaterial			Immaterial	Immaterial		Immaterial
Other Risks	Owned Property Risk	N/A	N/A	N/A	N/A	N/A	Immaterial	N/A	N/A	N/A	N/A	N/A
	Capital Risk										Immaterial	Immaterial
	Insurance Risk	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Pension Obligation Risk	Applicable to ABE Head Office as well as to AB Belgium Branch						N/A	N/A	N/A	N/A	N/A

1.6. Risk Management Organization

The following chart provides a graphical summary of ABE's risk management organization:



- ABE's Board of Directors defines the risk appetite and other key metrics that set the levels of acceptable risks that can be engaged by the bank's business lines and branches. It also provides the final validation for proposed organizational and reporting structures setup for the management of risks.

- ABE's Management Board is responsible for ensuring that risk management strategies are implemented and followed. It ensures that the bank's risk appetite is respected. It validates & endorses all decisions taken by AXA Bank's Europe's specialized risk committee (see below). It resolves issues on product approval requests. Finally, it reviews consolidated risk reports and sets appropriate levels of provisions when needed.

- Specific risk committees oversee specific risk strategies set by ABE's Management Board. Generally, they monitor and analyze consolidated risk reports. They validate risk indicators and models. They monitor the adequacy of ABE's risk infrastructure and risk models (stress testing, back testing and calibration). The committees are:

    - Risk Appetite Steering Committee = All risks
    - Retail Credit Committee = Retail credit risk
    - Credit Investment Committee = Non retail credit risk
    - Operational Risk Management Steering Committee = Operational risk
    - Assets & Liabilities Committee (ALCO) = Liquidity risk, interest rate risk & market risk

- The management committees of the local branches ensure that ABE's risk management strategies are implemented and followed locally. They also ensure that the risks taken by the branches remain within local risk appetite limits.

- Business lines act as the first line of defense in the management of their risks.

- As a control function within the second line of defense (independent from the business lines), ABE's Risk Management department assists the bank's Board of Directors, Management Board and specialized risk committees manage the bank's risks.

ABE's risk management strategies and processes are fully described within internal risk management charters, reviewed and validated on a yearly basis by ABE's Board of Directors and Management Board.

1.7. Risk disclosure policy

The Basel II accords require banks to disclose a complete risk report to the market at least once a year. This obligation is known as the "market discipline" Basel II Pillar 3 transparency obligation[2]. It is based on the assumption that well informed market participants will reward risk-conscious management strategies and will correspondingly penalize riskier behaviors. It is believed that this gives credit institutions additional incentives to monitor and efficiently manage their risks.

In compliance with the above transparency requirements, ABE's Board of Directors and Management Board aim to communicate to the market a complete risk disclosure report at least once a year. The bank aims to do so after the publication of its audited annual accounts. Due to ABE's conservative and low risk profile, this yearly frequency is believed to offer sufficient information to allow third parties to form an opinion regarding ABE's risk profile. ABE may publish disclosure reports more frequently if material and important changes to its financial situation, risk profile or business strategy occur and require it.

This 2010 risk report covers the period starting on the 1st of January 2010 and ending on the 31st of December 2010.

ABE's management pays a special attention to the bank's obligation of discretion. If a situation would arise where individual clients' information could be inferred from some element legally required to be disclosed, the bank would seek guidance from its regulators in order to omit the publication of such information.

The reports can be found on ABE's corporate website at www.axabankeurope.com.

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[2] In Belgium, this obligation is found under Title XIV of CBFA's Circular PPB-2007-1-CPB dated 8th of February 2007.

2. Financial governance & capital adequacy

This section aims to provide information on ABE's capital adequacy.

It starts by explaining regulatory requirements. It then details ABE's financial governance and capital objectives. It further provides information on ABE's available financial resources, stating how minimum regulatory capital and economic capital requirements are measured.

Finally, it concludes by providing quantitative information demonstrating ABE's compliance with capital adequacy requirements.

2.1. CRD & the Basel II Accords

Under the EU Capital Requirement Directive and the international Basel II accords, banks such as ABE must maintain minimum level own funds to cover their credit risk, market risk 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".

Under each pillar, the "available financial resources" of banks are compared to the measured "capital requirements". The differences between the two pillars are their measurements methodologies[3] and the scope of the risks that are covered[4].

2.2. Financial governance

ABE's strategic financial decisions are taken by its Board of Directors and managed through its Management Board.

The Board of Directors and Management Board are assisted in this task by the bank's Chief Financial Officer which heads the Financial Direction department.

Capital reporting is done regularly to ABE's Management Board, Audit Committee and Risk Appetite Committee. It allows for capital strategy adjustments to be implemented in a timely manner.

2.3. Capital objectives

ABE's capital objectives go beyond the simple management of equity. Its main objectives are the following:

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[3] Under Basel II Pillar 1, the methods are defined by the regulators whilst the methods are defined by AXA Bank Europe under Basel II Pillar 2.
[4] Only three risks are covered under Pillar 1. All material risks must be covered under Pillar II.

- Compliance at all times with prudential solvency[5] requirements imposed by regulation and supervisors;
- Safeguarding of shareholders and clients' interests;
- Maintenance of a sound capital foundation to support the development of business activities;

With regards to compliance with the above described Basel II Framework, ABE's solvency objectives are currently the following:

- <u>Pillar 1 - Minimum Capital Requirement (regulatory capital vs. own funds)</u>

Maintain sufficient own funds to exceed Pillar 1's minimum regulatory capital requirements by a sufficient margin.

- <u>Pillar 2 – Economic Capital Requirement (economic capital vs. internal capital)</u>

ABE's main Pillar 2 objective is to remain sufficiently capitalized to be able to cover risks at all times calculated with a 99.90% confidence interval over a one year period. This obligation is above AXA SA's Head Office requirement (99.5%).

Usually, a 99.90% level is roughly equivalent to the default risk between a 'A-' and 'BBB+' rated bond. Nevertheless, as ABE belongs to AXA SA, it benefits from a higher target rating equivalent to the default risk of a 'AA-' rated bond. ABE's rating primarily reflects its status as a core member of the AXA insurance group.

As such, ABE's Risk Management monitors that the internal available capital is, at all time, higher than Pillar 2 economic capital requirements, defined through Pillar 2 methodologies, with an additional safety margin.

2.4. Available financial resources

Under the Basel II regulation, banks must have sufficient capital ("available financial resources") to cover their risks.

Risks are quantified twice:

- a regulatory quantification is performed according to the Basel (Pillar 1) regulatory methods = Required regulatory capital
- a self-assessment is performed according the bank's internal models (Pillar 2) = required economic capital

Solvency is determined based on the comparison between required capital versus available financial resources. Corresponding to both types of required capital, 2 types of available financial resources are respectively determined:

- Pillar 1 capital, also named "Regulatory Own Funds", measured through regulatory given methodologies

[5] Risk appetite governance to comply with prudential liquidity requirements are detailed in section 3.6

- Pillar 2 capital, also named “Internal Available Capital”, its definition being established by the bank

Regulatory own funds	Pillar 1	Capital measured through regulatory defined methodologies that banks maintain and which must exceed minimum regulatory capital requirements. *(The method to calculate own funds is described in CBFA’s Circular 2007-1)*
Internal available capital	Pillar 2	Capital measured through internally defined methodologies that banks maintain and which must exceed economic capital requirements. Some capital which does not qualify as “own funds under Pillar 1” can be added to cover economic capital requirements if it can be demonstrated that it is of sufficient quality.

Due to the simplicity of its capital structure, ABE definition of internal available capital is largely based on the “regulatory own funds definition”. This means that Basel II (and gradually as from 2013: Basel III) requirements are applied on both Pillar 1 and Pillar 2 “available financial resources” definitions.

The only difference comes from the adjustment that is made for the ‘provisions excess or shortfall’[6]: the nature of the expected losses taken into account differs under Pillar 1 (= expected losses computed according the Basel II IRB approach) and Pillar 2 (internal assessment of expected loss).

On December 31st, 2010, ABE had EUR 1,280 Bn of regulatory own funds and EUR 1,357 Bn of internal available capital.

The above tier 2 capital contains the following bank deposit notes:

1. Subordinated perpetual certificates, i.e. deposit bonds having an unlimited duration (“perpetual”), although with a split between the first 10 years, during which a fix interest rate applies, and the period after 10th anniversary. As of the 10th anniversary and on each later anniversary, the bank has a call option for complete and immediate redemption of the bonds; in the absence of exercise of the call, the bonds are automatically extended for a new year. While a fix rate is applicable during the fist 10 years, the rate afterwards is equal to OLO 10 years + x % (x was equal to 2 for the first issuing; for the latter x = 1). The perpetual certificates are subordinate-debt instruments. Redemption in case of insolvency of the bank is subject to the subordination provision in the terms and conditions of the certificates

[6] Expected losses (when in excess of relevant taken provisions) are deducted from ABE’s regulatory own funds. In the opposite case (provisions exceed expected loss), they are added.

2. Subordinated certificates, i.e. deposit bonds at a fix interest rate and a fix term, however with subordinated debt character. Redemption in case of insolvency of the bank is subject to the subordination provision in the terms and conditions of the certificates.

More quantitative information on the above can be found within ABE's IFRS Consolidated Financial Statements 2010, namely in its sections:

- Consolidated statement of changes in equity;
- Risk Management & capital management (#4);
- Goodwill & other intangible fixed assets (#23);
- Equity (#35);
- Distribution of profits & dividends per share (#36).

2.5. Compliance with minimum regulatory capital requirements

The methods used by ABE to measure its regulatory capital requirements are summarized in the table below and described in more details in the risk sections 3.2 to 3.4 of this report:

Risks:	Method:
Retail Credit Risk _ Belgium	Internal Rating Based Approach
Retail Credit Risk _ Hungary	Standardized Approach
Securitization (with retail underlying assets) Risk	Internal Rating Based Foundation Approach
Securitization (non retail underlying) Risk	Standardized Approach
Non Retail Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

At the end of the year 2010, ABE reports that its Basel (Pillar 1) ratio was 28.87%, above market average and legal requirements. ABE further reports that during the year 2010, the available own funds always exceeded regulatory compliance requirements.

Basel II Pillar 1 on 31/12/2010 (in '000 €)		
Minimum Regulatory Capital Requirement		354 575
Basel I Floor *		401 322
	Total requirements	755 897
Basel II Pillar 1 Own Funds		1 279 767
	Surplus	523 870

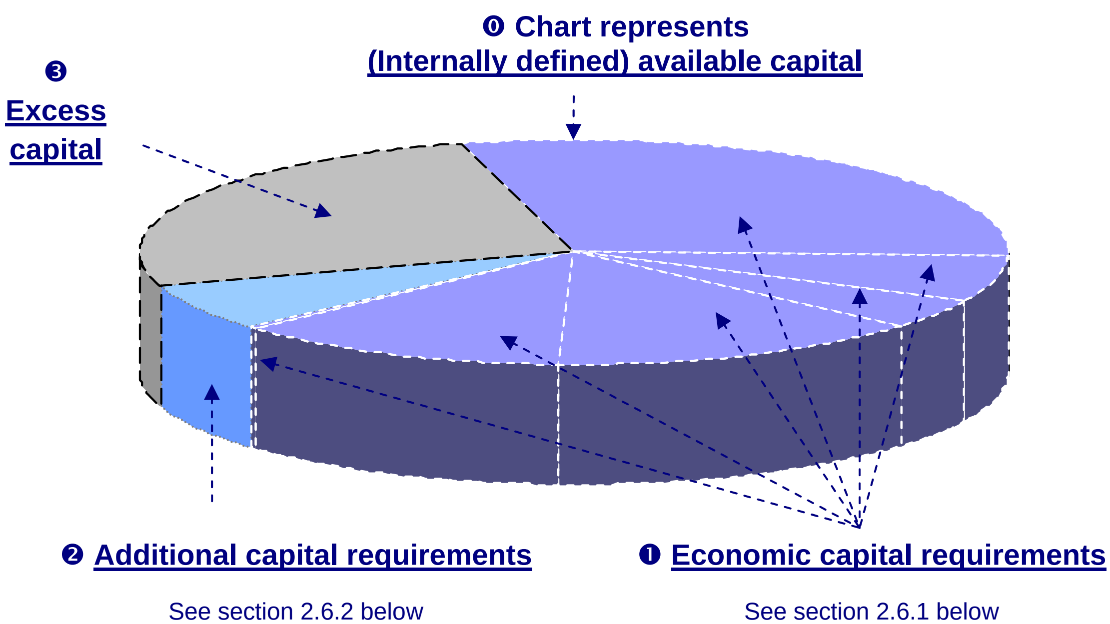
* The Basel II Accord laid down that a minimum solvency requirement ('floor') had to be imposed (on a transitional basis) on institutions like ABE using an internal model for credit risk for their measurement of minimum regulatory capital requirement. This floor was based on the old Basel I framework and was therefore referred to as the ' Basel I floor'. It aimed to prevent institutions from releasing significant amounts of regulatory capital by switching to internal models. The transitional Basel I floor was introduced in 2006 and initially scheduled to be released on the 31.12.2009. However, with the ongoing revision of the Basel II Accords and EU Capital Requirements Directive, it was maintained in 2010 and will be in 2011.

2.6. Compliance with economic capital requirements

ABE set up an Internal Capital Adequacy Assessment Process (ICAAP) project to comply with the new Basel II Pillar 2 requirements. Amongst others, this process aims to improve methodologies and to integrate all the risks faced by the institution within its capital management framework, and namely those not covered under the Basel II Pillar 1 regulatory framework (interest rate risk, liquidity risk, strategic risk, business risk, reputation risk, pension risk, owned property risk, capital risk, etc…) through an internal assessment of required risk capital (also known as economic capital).

ABE's methodology concerning its ICAAP is documented in an internal ICAAP file reviewed annually by ABE's regulator under its standard supervisory review process.

ABE measures its economic capital requirements by taking into account the following elements:



By maintaining a sufficient level of excess capital at all times, ABE ensures that it can always meet its economic capital requirements.

2.6.1. Measuring economic capital requirements

Under Basel II principles, the measurement of economic capital requirements must take into account all identified material risks. It must also take into account planned (expected) business growth. Because some risks are correlated to others, the measurement of economic capital requirements may also be reduced for diversification benefits. These three points are described in the following sub-sections:

2.6.1.1. Economic capital requirements for material risks

This sub-section provides an overview of the methods used by ABE to measure its core capital requirements under Pillar 2. In compliance with CRD regulation, these methods are defined internally. More detailed information on these methods can be found within the specific risk sections of this report (see sections 3.2 to 3.7).

ABE's economic models are fully documented. All economic capital models are systematically independently validated before they are used.

Risks:	Method:
Retail Credit Risk - Belgium	Value at Risk (V@R) at 99.9% Confidence Interval (CI)
Retail Credit Risk - Hungary	Compounded V@R at 99.9% CI
Non Retail Credit Risk – ABE HO	Approach similar to Standardized Approach under Pillar 1
Credit Risk – Other branches	Standardized Approach under Pillar 1
Market Risk	V@R at 99.9% CI
Operational Risk	V@R at 99.9% CI
Interest Rate Risk	V@R at 99.9% CI
Business Risk	Internal assessment with 99.9% CI
Basis Risk	Internal assessment with 99.9% CI
Forex Risk	V@R at 99.9% CI
Residual Risk	Internal assessment
Structural Liquidity Risk	Internal assessment
Pension Risk	Internal assessment related to IAS 19 approach

2.6.1.2. Economic capital requirements for business growth

Economic capital requirement scenarios for expected business growth are systematically assessed during strategic planning exercises and regularly monitored during the year. Such assessments include business forecasts, Return On Risk-Adjusted Capital (RORAC) analysis. They also take into account relevant stress test results and liquidity impacts.

Economic capital allocation proposals for expected business growth are approved by ABE's Management Board and Board of Directors.

2.6.1.3. Diversification benefits

Under Basel II, economic capital requirements must be adjusted (and reduced) for diversification benefits between risks. ABE uses a correlation matrix which estimates correlations between its retail Belgium, retail Hungary and non retail credit risk, as well as between credit, market & operational risks.

2.6.2. Additional capital requirements

Additional economic capital requirements may result from stress testing, the obligation to maintain a Basel I buffer or the decision to keep a security margin to hedge against the volatility of risk exposures. These points are described in the following sub-sections:

2.6.2.1. Stress Testing

Stress testing forms an integral part of ABE's overall governance and risk management culture.

- It allows the bank to improve the measurement of its risks;
- It increases the visibility and comprehension of the various risk profiles to its management;
- It allows the bank to test the resilience and adequacy of its risk measurement models;
- It serves to fine-tune and adjust economic capital requirements.

ABE may therefore adjust (increase when relevant) its capital requirements based on its analysis of stress testing exercises. This is due to the fact that the determination of capital requirements for risk mitigation must be forward looking. It must take into account the impacts of unexpected (but plausible) severe scenarios which could affect the institution.

ABE therefore analyzes the potential impacts of severe (but plausible) hypothetical scenarios on its solvency requirements for all material risk types (interest rate risk, retail credit risk, counterparty risk, market FX risk, operational risk and liquidity risk).

Typical scenarios can be:

- Price inflation
- Real estate crash & economic crisis
- Down grading ABE
- Sovereign debt crisis
- IT system crash
- Major fraud

Results are presented to the relevant risk committees and to ABE's Management Board. In the last exercise, none of the stress test results showed ABE to require specific economic capital mark-ups.

The processes, methods, assumptions and results of ABE's stress tests are reviewed annually.

2.6.2.2. Pillar 1 Buffer

Should ABE's (Pillar 1) minimum regulatory capital requirements ever exceed ABE's Pillar 2 economic capital requirements, ABE would take a "Pillar 1 buffer" under Pillar 2. The purpose of this "Pillar 1 buffer" under Pillar 2 would be to ensure that ABE's total economic capital accurately reflects the bank's global capital requirements. On 31/12/2010, this was not necessary.

2.6.2.3. Security Margin

The volatility of risk exposures impacts the results of economic capital modeling. ABE's Board of Directors and/or Management Board may decide to maintain a security margin above measured economic capital requirements to hedge the bank against cyclicality or unexpected events.

2.6.3. 2009 ICAAP results

On 31/12/2010, ABE's internal capital adequacy assessment process showed that AXA internally defined available capital (as described in section 2.4) exceeded ABE's economic capital by a comfortable margin.

3. Managing risks

3.1. Risk appetite framework

ABE's risk appetite framework implements AXA Group's risk appetite approach, although making the required amendments to cater for banking specificities.

The setting of ABE's risk appetite is structured around different elements:

- Objectives set by ABE's Management Board and Board of Directors;
- Key financial indicators & functional risk drivers;
- Defined risk appetite triggers & limits used to keep identified risks at desired levels.

The key financial indicators (KFI) concern solvency, value, earnings and liquidity:

- Solvency represents the constraints in terms of internally available capital that can be allocated to the different activities of ABE;
- Value represents ABE's objectives in terms of returns on allocated capital;
- The "Earnings" KFI reports on ABE's P&L sensitivities (IFRS earnings);
- The "Liquidity" KFI reports on the adequacy of ABE's liquidity.

Risk drivers are the measurable and quantitative components of KFIs. They serve as the building blocks to aggregate KFI results. They also ensure that ABE's risk appetites can be translated operationally:

- Taken individually, risk drivers quantify some aspects of the risk related to ABE's business activities. They provide functional risk indicators used on a day-to-day basis to manage the risk exposures within the relevant business lines;
- Functional limits are set on them, as they must be easily and frequently monitored, reported and understood by people in operational functions;
- They also serve as components to feed more advanced risk models and/or stress tests.

3.2. Credit risk

ABE defines credit risk as the negative consequences associated with the default[7] or deterioration in credit quality[8] of counterparties in lending operations.

The goal of credit risk management is to insure that a (set of) credit event(s) would not significantly threaten the Bank's solvency nor profitability. In order 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 organization.

Within ABE, credit risks are categorized as either retail credit risks or non retail credit risks and managed accordingly.

3.2.1. Retail credit risk

ABE's main business is to provide retail credit facilities to private individuals, professionals and small businesses in selected European countries. In 2010, such facilities were offered in Belgium through ABE SA and in Hungary through a local branch of ABE SA.

3.2.1.1. Risk management governance

The management of ABE's retail credit risk is formalized by a Retail Risk Management Charter. This charter applies to ABE and to all of its branches and subsidiaries. It sets the organization, risk appetite framework, product approval processes and modeling requirements that must be followed internally to mitigate ABE's retail credit risk exposures. It is completed by (local) business & credit policies which provide the procedures for the day to day management of retail credit risks.

The governance of ABE's retail credit risk management can be summarized as follows:

- ABE' Board of Directors and ABE's Management Board assume the responsibilities described in section 1.6 for the management of retail credit risk.

- ABE's Retail Credit Committee oversees the bank's credit strategies defined by the ABE's Board of Directors and instructed and implemented by ABE's Management Board. It reviews and approves (local) retail credit risk policies. It monitors and analyses consolidated retail credit risk reports. It validates credit risk indicators and models. It monitors the adequacy of ABE's retail credit risk infrastructure and risk models (stress testing, back testing and calibration).

- The management committees of local branches ensure that ABE's retail credit risk management strategies are implemented and followed locally. They also ensure that the retail credit exposures taken by the branches remain within local risk appetite

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

limits and that local retail credit risk indicators and models are properly developed and used.

- Local credit business lines are responsible for the acquisition, management and recovery of retail credits. They act as the first line of defense in the management of retail credit risk. They are responsible to propose (or amend) retail credit products and policies. In some branches and subsidiaries, they also maintain a local modeling team which works closely with ABE's (head office) modeling team to set up and maintain the appropriate risk indicators and models described below.

- As a control function (independent from the business lines), ABE's Risk Management department assumes the responsibilities described in section 1.6.

3.2.1.2. Capital requirement assessment

ABE' measures its minimum capital requirements for retail credit risk in the following way:

Retail credit risk exposures	**Basel II framework**	
	Minimum regulatory capital requirements (Pillar 1)	**Economic capital requirements (Pillar 2)**
AXA Bank Europe - Belgium	Internal Rating Based Approach *	Value at Risk (V@R) at 99.9% Confidence Interval
AXA Bank Europe - Hungary	Standardized Approach **	Compounded V@R at 99.9% CI

* About 1,5% of AXA Bank Europe SA Belgium's retail credit risk exposures (for which insufficient historical data exist to feed an Internal Rating-Based Approach) are measured using Basel II's Standardized Approach.

** A project is underway to extend the use Basel II's Internal Rating Based Approach to AXA Bank Europe's Hungary branch during the year 2011. As such, AXA Bank Europe's Hungarian retail credit exposures were still calculated in 2010 through Basel II's Standardized Approach.

On the 31/12/2010, ABE measured its minimum regulatory requirements for retail credit risk as follows:

Retail credit risk exposures by approach (on 31/12/2010)	**Minimum regulatory capital requirements** (Consolidated in '000 €)
Internal Rating Based Approach	112 141
Standardized Approach	60 924
Total:	**173 065**

On the 31/12/2010, ABE measured its economic capital requirements for retail credit risk as follows:

Retail credit risk exposures by country (on 31/12/2010)	**% of Economic capital requirements** (Consolidated & without taking diversification benefits into account)
AXA Bank Europe - Belgium	11.7%
AXA Bank Europe - Hungary	18.8%
Total:	**30.5%**

The following three sections describe the risk exposures and risk management specificities applicable to ABE's retail credit exposures in Belgium and Hungary.

3.2.1.3. Retail credits in Belgium

3.2.1.3.a. Risk appetite policies

The risks on ABE's Belgium mortgage credits, personal loans and professional credits are managed in three phases: acquisition, management and recovery. They are measured through internal predictive models that have been developed in compliance with Basel II's Internal Rating Based Approach.

These models use the following variables to perform their calculations: probability of default (PD) of retail credits, loss given default (LGD) and exposure at default (EAD). The input data of these models consist of product characteristics, demographic data, financial data and external data that must meet certain quality criteria, as well as historical data concerning the actual annual loss.

During the credit acquisition phase, specific proposals are made for clients based on predictive acquisition PD models.

In the management phase, retail credit risk management models use behavior information on a client per client basis to refine their individual scores. The various credits of this activity are divided into "pools". A "pool" is a group of contracts that are relatively homogenous in terms of PD and LGD compared to other contracts within the retail portfolio. This gives the bank a better visibility on the quality of its retail credit risks which in turn enables it to take better risk and business decisions.

A remedy phase occurs when the customer doesn't respect his contractual obligation. This phase is followed by a recovery phase in case of work out of the contract. At those points, specific actions that are taken by the bank are actively tracked. Clients are then monitored on an individual basis.

The evolution of the credit risk is actively tracked as part of the reporting for the Retail Credit Committee to which a summary of the situation is presented on a regular basis.

The internally developed “behavioral scoring models” in combination with other internal models are included in the process that decides about changes to the contract for home loans. The credit risk of the client is included in the price-setting of loans for professional purposes.

The credit risk of the customer and the concentration of the credit risk on the customer are included in determining the strategy for retail loans that must be approved by ABE’s Management Board.

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 moreover continually being improved.

Together with the choice of certain parameters, this generates a credit portfolio with a low and well diversified retail credit risk designed to weather potential losses even in exceptional circumstances.

3.2.1.3.b. Maintenance of the IRB predictive models

ABE has setup a strong governance to maintain its IRB predictive models:

- The advanced IRB models are documented and described in terms of governance, inputs, scope, methods, outputs and implementation. Key quality characteristics are documented;
- The design of the IRB models is independently validated. Validation exercises are documented;
- Advanced IRB models are back-tested on a quarterly basis and reviewed annually to assess whether they are still fit for purpose. The annual reviews lead to clear assessment of model risks as well as to clear annual objectives to improve any identified model weaknesses. Improvement objectives are documented and adequately followed by management;
- Controls are in place to prevent unauthorized & non documented modifications to models. Significant model modifications must be sufficiently back-tested before changes are implemented;
- Finally, continuous usage feedback is required from model users and incorporated into the development processes of advanced IRB models.

3.2.1.3.c. Stress Testing

In compliance with regulatory expectations, ABE performs stress testing for retail credit risk. It does so mostly to assess how robust ABE’s IRB predictive models (used for regulatory capital purposes) react under stressed situations.

3.2.1.3.d. Exposures

The following two tables provide quantitative information concerning the nature and performance of ABE's retail credit exposures in Belgium.

The first table provides information concerning those exposures measured through ABE (Belgium Branch)'s Internal Rating Based approach. Within this approach, it should be noted that ABE categorizes its exposures through 10 buckets. Exposures in buckets 1 to 9 are considered performing while exposures in buckets 10 are considered non-performing.

Loan Types	Buckets	EAD		RWA		Provisions	
		31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Mortgage	1-9	10.836.691	10.369.306	815.381	966.882	1.112	2.250
	10	96.237	85.727	22.483	18.747	13.157	9.569
Consumer	1-9	842.956	797.139	315.746	224.756	2.710	3.511
	10	27.229	26.328	-	-	9.768	9.396
Commercial	1-9	1.357.586	1.353.069	234.258	232.581	1.188	1.931
	10	40.866	34.949	13.898	10.146	10.011	7.834

The second table provides details on those retail credit exposures in Belgium that remain measured by Basel II Standardized Approach.

Loan Types	EAD (in '000€)		RWA (in '000€)		Provisions (in '000€)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Mortgage	55.431	8.677	20.777	3.343	0	-
Commercial	103.417	95.739	94.173	81.382	5.257	4.442
Current Accounts	61.457	60.067	43.862	42.273	7.025	5.973
Consumer	2.871	-	2.153	-	-	-

ABE retail credit exposures in Belgium are principally composed of mortgage financing, with a share of approximately 82% in terms of outstanding balance.

Given the good cover and low chances of default of this type of financing, the risk profile of AXA Bank's retail credit portfolio in Belgium is very low.

3.2.1.4. Retail Credit in Hungary

3.2.1.4.a. Risk appetite policies

The Hungarian branch of ABE also manages its retail credit risk through acquisition, management and recovery phases.

Credit exposures are managed through a set of specialized risk indicators and specific risk appetite measures. In 2010, these measures included risk appetite acquisition limits based on economic capital allocation as well as specific remedial measures for loans under default risk. Additional measures were also taken to assist in the recovery of defaulting loans.

In 2010, AXA Bank Hungary's retail credits were measured through the Basel II Standardized Approach. With the agreement of ABE's regulator, ABE's Hungarian branch continued its project to implement Basel II's Internal Ratings Based Approach to measure and manage its retail credit exposures. This project is nearing completion.

In 2010, the economic and financial crisis continued to hit the Hungarian housing market in which credits are mostly granted in foreign currency.

ABE's Hungarian Branch continued to face challenges in 2010 because a significant portion its retail credit exposures consists of credits in foreign currencies that are subject to vulnerability resulting from exchange rate fluctuations.

Its retail credit portfolio remained under closer surveillance in 2010. The following additional risk management measures were put in place:

- The policy to approve new loans was further embedded within ABE's risk appetite process and restricted. Forex loans were stopped in June 2010.

- Provisions were increased from 2.15% in 2009 to 4.67% in 2010.

- Hedging and temporary capping of exchange rate for Hungarian clients.

More qualitative and quantitative information can be found within section 3.2.1.4.b (see below) and within section 4.3.1 of ABE's IFRS Consolidated Financial Statements 2010.

3.2.1.4.b. Exposures

On the 31/12/2010, the outstanding portfolio amounts to HUF 432 billion (with CHF/HUF 225 and EUR/HUF 280).

In contract currencies, the breakdown was (by percentage):
- Contracts in Swiss frank: CHF 1.575 billion
- Contracts in Forint: € 13.93 million
- Contracts in Euro: HUF 73.58 billion

3.2.1.5. Other countries

ABE branches in Switzerland, Slovakia and Czech Republic had no retail credit exposures in 2010.

3.2.2.

3.2.3. Non retail credit risk

Besides the credit risk generated by its retail banking activities, ABE maintains an exposure to high quality counterparties through its portfolio management activities and through its treasury and asset & liability management activities.

Within this scope, ABE is exposed to the following credit risks:

Types of counterparty	
Sovereigns	▪ Governments & central banks ▪ Regional authorities with taxing power ▪ Regional authorities without taxing power explicitly guaranteed by central governments ▪ Regional authorities without taxing power implicitly guaranteed by central governments
Financial institutions	▪ Deposit taking institutions (banks, credit unions, trust companies, mortgage loan companies) ▪ Insurance companies & pension funds ▪ Brokers, underwriters & investment funds ▪ Multi-lateral banks
Corporates	▪ Quoted international companies (private or public) ▪ Non quoted international companies (private or public)
Securitization (Investment) [9]	▪ Securitization (structured credits) – Investment side

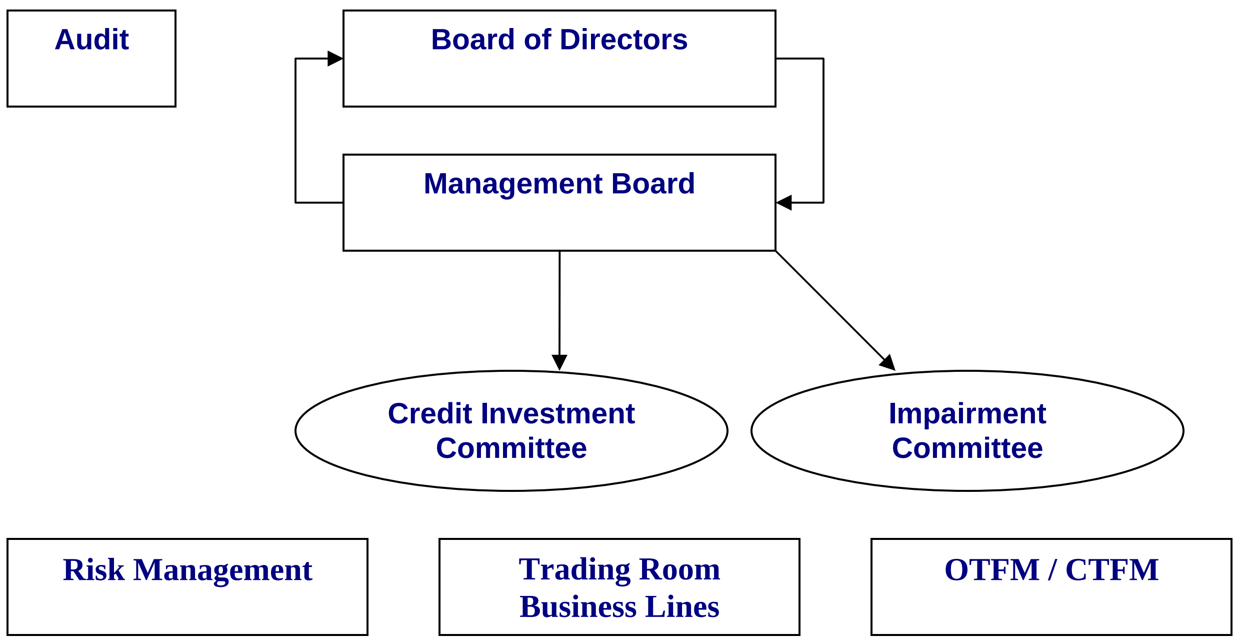
Since 2009, ABE also is also designated by AXA Group to act as a centralized platform to access financial markets and provide to AXA insurance companies hedging services for their variable annuities products. This activity is performed in conjunction with AXA Hedging Services, a subsidiary of ABE, which provides hedging related advisory services to AXA Group insurance companies.

3.2.3.1. Risk management governance

The management of ABE's non retail credit risk is centralized at its head office. Its governance can be illustrated by the following flow-chart and summarized as follows:

[9] See section 3.2.3.2 for more info.

At AXA Bank Europe's head office level



- ABE's Board of Directors and ABE's Management Board assume the responsibilities described in section 1.6 towards the management of non retail credit risk.

- ABE's Credit Investment Committee has been setup to oversee the bank's non retail credit strategies set by the ABE's Management Board. It meets every two weeks. It is composed of the bank's Chief Investment Officer, its Chief Financial Officer, its Chief Risk Officer, the Head of the Treasury and Investment departments as well as relevant specialists. It approves new counterparties and investments (in compliance with ABE's risk appetite framework). It reviews non retail credit and securitization risk reports. It also validates and ensures the maintenance of ABE's non retail credit and securitization indicators and models.

- ABE's Impairment Committee receives a delegation from ABE's Management Board to set appropriate provisions with regards to ABE's non retail credit and securitization exposures. This committee is composed of ABE's Chief Financial Officer, its Head of Accounting, its Chief Investment Officer, its Vice-President responsible for Retail Credit, the Chief Risk Officer, its Head of Treasury and Investment departments, as well as relevant specialists.

- ABE's Portfolio Management, Treasury and Forex & Asset and Liabilities Management (ALM) departments form the first line of responsibility for the management of non retail credit and securitization risks. They must honor ABE's non retail credit risk mitigation measures.

- As a control function (independent from the business lines), ABE's Risk Management department assists the bank's Board of Directors, Management Board and Credit

Investment Committee manage the bank's retail credit risk. It can also veto any decision taken by the credit investment or impairment committees.

3.2.3.2. Risk appetite policies

Within the bank, counterparty risks are managed by limits.

- The exposures that ABE's Treasury, Asset & Liability Management and Portfolio Management departments can take must remain within a general economic capital limit.

- They must also respect specific country exposure limits which are set through rating and qualitative analysis.

- They must also comply with individual limits per type of transaction and per counterparty (again based on rating observation and qualitative analysis). As such, specific limits exist for exposures on government bonds, T-bills, securitization, corporate bonds and commercial papers. Exposures to financial institutions are limited differently whether they arise from derivatives, bonds or from treasury requirements.

These limits are reviewed regularly[10].

Credit risk analysts monitor daily events and track alert indicators to monitor counterparty exposures and unapproved excesses. Alert indicators include external downgrades, change in the financial situation of counterparties, defaults, balance sheet changes, mergers and acquisitions and world events.

Moreover, following the bankruptcy of Lehman Brothers, AXA Group also put in place a very strict policy for the management of derivatives, particularly in terms of collateral requirements. A mandatory rule to request from ABE's counterparties the signature of (English Law) ISDA with CSA before entering into derivative transactions was introduced. It greatly reduced ABE's potential losses from default by its counterparties in the framework of derivatives contracts. Due to ABE's new involvement in the hedging of variable annuities products for AXA insurance companies[11], this requirement is strictly enforced.

[10] For example, in 2010, AXA Bank Europe revised its investment policy to prepare for Basel III. It also revised retail credit policies in Hungary to better face the challenges experienced in that market.
[11] See section 3.2.2 above.

3.2.3.3. Capital requirement assessment

On the 31/12/2010, ABE measured its minimum regulatory requirements for non retail credit risk as follows:

Minimum Regulatory Capital Requirement	31/12/2010 (Consolidated) ('000 €)
Non Retail Credit Risk	106 603
Total:	**106 603**

As of the 31/12/2010, on a consolidated basis & without taking diversification benefits into account, ABE's economic capital for non retail credit risk represented 7.87% of ABE's economic capital (on a consolidated basis and without taking into account diversification benefits).

3.2.3.4. Exposures

Quantitative tables showing concerning ABE's total non retail credit exposures on the 31/12/2010 can be found in Appendix I.

Further quantitative information and explanations concerning ABE's total non retail credit exposures on the 31/12/2010 can be found within sections 4.3.2, 4.3.3 and 4.4 of ABE IFRS Consolidated Financial Statements 2010.

3.2.4. Securitization

ABE maintains two types of securitization activities. It acts as the originator of a securitization named Royal Street. It also maintains investments in some high quality securitized products. The objectives and details of these two roles will be described in the following sub-sections.

3.2.4.1. AXA Bank Europe as originator

Because of the underlying good quality of its retail credit portfolio, AXA Bank Europe setup a retail credit securitization origination capacity. Its main purpose is to assist the bank manage and mitigate its liquidity risk.

In 2008, a Special Purpose Vehicle named Royal Street SA, acting through its compartment RS-1, purchased a portfolio of Belgian prime residential mortgage loans from ABE and a series of rated senior, mezzanine and junior notes. Up to date disclosures on this originated securitization can be found on the following web site:

- http://www.axa.be/royalstreet/royalstreet1.html .

- These disclosures detail the structure of the securitization, ABE's involvement in them and its governance. These disclosures are completed by quarterly investor reports[12] which provide the markets with relevant quantitative information.

In 2010, Royal Streets SA, acting for its Compartment RS-2, purchased a portfolio of Belgian prime residential mortgage loans from ABE and issued a series of rated senior notes, and unrated Junior notes. Up to date disclosures on this originated securitization can be found on the following web site:

- http://www.axa.be/royalstreet/royalstreet2.html

- These disclosures detail the structure of the securitization, ABE's involvement in them and its governance. These disclosures are completed by quarterly investor reports[13] which provide the markets with relevant quantitative information.

As detailed in its IFRS Consolidated Financial Statements 2010, ABE SCF (Société de Crédit Foncière) purchased 1,500,000,000 € of the above "Royal Street 2" RMBS notes. These RMBS notes acted as security for the issue of Covered Bonds by ABE SCF. The first issue of these Covered Bonds amounted to 1,250,000,000 € in November 2010. As of 31/12/2010 ABE held an amount of 500,000,000 € in its own portfolio. Up to date disclosures on ABE SCF covered bond issuance can be found on the following web site:

- http://www.axa.be/abe/covered-bonds/covered-bonds.html

- These disclosures detail the structure of the covered bond issuance, ABE's and ABE's SCF involvement in them and its governance. These disclosures are completed by quarterly investor reports[14] which provide the markets with relevant quantitative information.

In 2010, on a consolidated basis[15], ABE did not apply any capital relief with regards to its minimum regulatory capital requirements for the above securitized retail credit risk exposures.

3.2.4.2. AXA Bank Europe as investor

ABE has always been very prudent in its investments in securitized products. Even before the financial crisis, ABE had a risk management policy restricting investments to the most senior tranches of the highest quality AAA rating securitized products.

Each time ABE's Portfolio Management department desired to invest in a securitized product, it had to follow a specific procedure to obtain a prior case per case authorization from ABE's Credit Committee.

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[12] Also on the above mentioned website.
[13] Also on the above mentioned website.
[14] Also on the above mentioned website.
[15] On a statutory basis, AXA Bank Europe SCF (purchaser of some Royal Street SA residential mortgage backed securities) maintains audited and sufficient regulatory capital for its credit exposures as well as for its other risks.

The Credit Committee used mandatory risk opinions prepared by ABE's Risk Management department to analyze the risk quality of proposed investment in securitized products, after having performed necessary due diligence.

When it approved an investment into a securitized product, the Credit Committee would further set an investment limit and require its daily monitoring by the Risk Management department.

Pursuant to the publication of Basel III rules in 2010, ABE decided to stop investing in securitized products. As such, ABE has put its entire securitized product portfolio in runoff.

Quantitative information concerning ABE's exposures to securitized products can be found in sections 4.3.2 and 4.4 of its IFRS Consolidated Financial Statements 2010.

ABE currently uses ratings from Standard and Poor's, Moody's and Fitch to monitor the credit quality of its investments in securitized products. Changes in ratings are monitored on a daily basis. ABE's Risk Management department performs sector based, geographic and case per case credit risk reviews of its investments in securitized products. Moreover, risk measures are completed through regular stress test exercises performed to supplement reliance on ratings.
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3.2.3.2.a. Capital requirement assessment

On the 31/12/2010, ABE measured its minimum capital regulatory requirements for securitization risk as follows:

Securitization Exposures by Approach (As of 31/12/2010)	**Minimum Regulatory Capital Requirements** (Consolidated) (In '000 €)
Internal Rating Based Foundation Approach*	4 516
Standardized Approach	30 580
Total:	**35 096**

* The above IRB Foundation approach is only used to measure securitization with underlying real estate retail credit risk exposures.

3.2.5. Large Exposures

ABE respects the large exposure limit framework set out in the CBFA circular 2007-1, transposed from the EU Capital Requirements Directive.

Within AXA, concentration risks are monitored both at AXA Group level (on a consolidated basis) and within operational entities such as ABE.

ABE's Risk Management department reports the concentration of its non retail credit exposures to AXA Group's Risk Management department and to ABE's Asset & Liabilities Committee.

Specific limits by non retail counterparties are imposed by AXA Group's Risk Management department. More restrictive limits may also be imposed by ABE's Credit Investment Committee. Monitoring is done by ABE's Risk Management department.

Annually, a large exposure report is also prepared by the Accounting and Risk Management departments. It covers the exposures of ABE on a consolidated basis. It is sent to ABE's regulator.

Quantitative information concerning ABE's concentration risk can be found in section 4.4 of ABE's IFRS Consolidated Financial Statements 2010.

3.3. <u>Market Risk</u>

The management of ABE's market risk is formalized by a Market Risk Management Charter.

ABE's risk taxonomy defines market risk through its following components:

- **Interest Rate Risk (non structural, short term):** Risk of loss arising from potential adverse changes in the fair value of interest sensitive position after movements in interest rates.
- **Exchange Rate Risk:** Risk of loss arising from potentially negative changes in fair position values (measured in home currency) due to exchange rate fluctuations.
- **Credit Spread Risk:** Risk of losing money from market price movements of debt instruments that are caused by unexpected changes in credit spread.
- **Price Risk (Equity):** Adverse movements of exposures in stocks and other types of direct / indirect investments in enterprises that the bank is holding for trading activities.
- **Market Liquidity Risk:** Risk that the firm cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption.

In 2010, ABE maintained a very conservative approach to market risk. ABE does not invest nor trades in commodities. Equity exposures already at minimal level, were kept in runoff.

Because the balance sheet of its branches is expanding, ABE is exposed to a limited level of Forex risk.

ABE' short term interest rate risk is induced either by derivative activities done to provide hedging services to AXA insurance companies for their variable annuities products as well as by an increase in OIS (overnight interest rate swaps) which were used to hedge treasury positions. The short term interest rate risk remains extremely limited: interest rate risk instruments being used only in 2 situations:

- Hedging of interest rate risk coming from on-balance sheet positions (in that case, interest rate risk instruments reduce the Bank's risk position)
- Back-to-back hedging of AXA Group variable annuities business, which leaves only a very limited residual risk position.

3.3.1. Risk management governance

ABE manages its trading room activities from its head office. Its subsidiaries and branches are not allowed to take market risk exposures.

The governance of ABE's market risk can be summarized as follows:

- As described in section 1.6, ABE's Board of Directors defines the risk appetite and other key metrics that set the levels of acceptable market risk that can be engaged by ABE's Treasury, Assets & Liabilities and Portfolio Management departments. It also provides the final validation for proposed organizational and reporting structures setup for the management of this risk.

- ABE's Management Board is also responsible to ensure that market risk management strategies are implemented and followed. It ensures that the bank's market risk appetite is respected.

- The bank's Asset & Liability Committee (ALCO) is responsible to ensure that market risk management strategies are applied. It reviews market risk reports and monitors compliance with agreed risk appetite limits. It monitors the adequacy of the risk infrastructure, pre-validates (as well as maintains) risk indicators and models (before they are sent for validation and endorsement to ABE's Management Board and Board of Directors).

- The bank's Treasury, Asset and Liability Management and Portfolio Management departments are responsible to manage the market risk exposure they generate.

- Nevertheless, ABE's Risk Management department also independently ensures that all sources of market risk are identified, analyzed, reported and managed.

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

3.3.2. Capital requirement assessment

To meet its Basel II minimum regulatory capital requirements, ABE uses the Standardized Approach defined in Title IX of the CBFA circular 2007-1 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
- General equity position risk
- Specific equity position risk
- Foreign exchange risk

Within the above regulatory methods, ABE has made the following methodological choices:

- For the general interest rate risk, it uses the Maturity Method.
- For the specific interest rate risk, ABE uses the risk weights specified in compliance with CBFA's Circular 2007-1 Article IX.25.
- For the general equity position risk, ABE uses a 8% risk weight in compliance with CBFA's Circular 2007-1 Article IX.48.
- For the specific equity position risk, ABE uses a 4% risk weight in compliance with CBFA's Circular 2007-1 Article IX.47.
- For the foreign exchange risk, ABE uses a 8% risk weight in compliance with CBFA's Circular 2007-1 Article IX.73.

Minimum Regulatory Capital Requirement	**31/12/2010** (Consolidated) ('000 €)
Market Risk	21 782
Total:	**21 782**

ABE measures its economic capital for market risk using a Monte-Carlo V@R model (provided by RiskMetrics©) applied to all positions in the trading book. The V@R uses a 10-days horizon, at a confidence level of 99.90% multiplied by a hysteria factor.

On 31/12/2010, on a consolidated basis & without taking diversification benefits into account, ABE's economic capital for market risk (excluding Forex risk) represented 0.59% of ABE's total economic capital.

In 2010, ABE considered and measured its Forex risk using a 2 months Value at Risk model at a 99.9% confidence interval.

On a consolidated basis & without taking diversification benefits into account, ABE's economic capital for Forex risk represented 1.38% of ABE's total economic capital.

3.4. Operational Risk

ABE defines operational risk as the risk of loss resulting from inadequate or failed internal processes, or from personnel or systems. The failure or inadequacy may result from both internal and external causes. This risk includes the following risk categories:

- **Internal Fraud**: misappropriation of assets, tax evasion, intentional mismarking of positions, bribery, etc;
- **External Fraud**: theft of information, hacking damage, third-party theft and forgery, etc;
- **Employment Practices and Workplace Safety**: discrimination, workers compensation, employee health and safety, etc.
- **Clients, Products and Business Practices**: Market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning, etc.
- **Damage to Physical Assets**: Natural disasters, vandalism, terrorism, etc.
- **Business Disruption and Systems Failures**: Utility disruptions, software failures, hardware failures, etc.
- **Execution, Delivery and Process Management**: Data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets, etc.
- **Legal risk**: 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.

ABE has no risk appetite for operational risks, but rather a given risk tolerance. ABE accepts to undergo a certain amount of identified (and unavoidable) operational risks. However, ABE has no intention to leverage operational risk for creating profit or value.

3.4.1. Risk management governance

ABE's management uses an annual recurring Operational Risk Management cycle ("ORM cycle") to identify, assess and measure as well as mitigate its operational risks. Its four steps are: risk identification, self assessments, measurements and analysis & mitigation.

The ORM Cycle provides ABE's senior management with indications on the most significant operational risks faced by ABE (both at its head office level and within its branch and subsidiary levels).

ABE's Management Board has delegated the daily management of operational risks to an ORM Steering Committee. This Committee follows the implementation of operational risk management, gives guidelines to embed it in ABE's business-as-usual activities and reviews all important decisions or information relating to ABE's ORM Cycle (ORM Charter, economic capital results, new methodology, processes, reporting, documentation, etc.).

The ORM Steering Committee is chaired by ABE's Head of Bank Operations and composed of head office Risk Management representatives, Risk Officers from branches and subsidiaries, business line managers, as well as the relevant representatives from control and support functions.

On-the-field, operational risk management correspondents are responsible to implement and embed ABE's ORM cycle into daily activities;

3.4.2. Capital requirement assessment

ABE uses the Basel II Basic Indicator Approach (BIA) defined in the CBFA's Circular 2007-1 to calculate its minimum regulatory capital requirements for operational risk:

Minimum Regulatory Capital Requirement	31/12/2010 (Consolidated) ('000 €)
Operational Risk	53 123
Total:	**53 123**

ABE measures its economic capital using a methodology similar to the Basel II Standardized Approach under Pillar 1.

A Gross Income (GI), defined as net interest income plus net non-interest income, is measured for each business line. This GI is gross of any provisions and operating expenses, including fees paid to outsourcing providers. It excludes realized profits/losses from the sale of securities in the banking book, and extraordinary items as well as income derived from insurance.

For each business line a Relevant Indicator (RI) is calculated as the three-year average of the gross income (GI) of the previous two years and the strategic plan figures for the current year. A negative GI in any business line may offset positive GI in other business lines without limit. However, when the aggregated GI across all business lines within in a given year is negative, then the input to the numerator for that year will be zero.

The required capital is calculated for each business line by multiplying the RI by a factor (beta) assigned to that business line. Taken from its applicable regulation, a 12% beta is assigned to all business lines except for the dealing room that receives an 18% beta.

On 31/12/2010, on a consolidated basis & without taking diversification benefits into account, ABE’s economic capital for operational risk represented 6.67% of ABE’s economic capital.

3.5. Interest Rate Risk

ABE's business focus on retail banking means that the bank concentrates its credit exposures on lower risk prime mortgage loans. The corollary of this business strategy is that ABE is exposed to higher interest rate risk due to the long duration of a part of the mortgage portfolio.

Interest rate risk is defined as the risk of potential adverse changes to the fair value of interest sensitive positions after movements in interest rates. This risk is itself composed of:

- **Yield curve risk** defined as the risk arising from changes in the level, slope and shape of the (risk free) yield curve. It includes re-pricing risk and optionality risk;
  - ⇒ **Repricing risk** defined as the risk arising from timing differences in maturity of fixed-rate positions & resets of floating-rate positions;
  - ⇒ **Optionality risk** defined as the risk arising from options embedded in bank assets, liabilities and off-balance sheet portfolios;
- **Basis risk** defined as the risk arising from imperfect correlations in the adjustment of rates of different instruments with otherwise similar repricing characteristics;
- **Residual Risk** defined as the risk of loss arising from imperfect behavioral assumptions related to FTP mechanism.

3.5.1. Risk management governance

The senior management for ABE's interest rate risk belongs to its Board of Directors which defines ABE's risk appetite and which validates or proposes organizational and reporting structures for the management of risks.

ABE's Management Board ensures that ABE's risk appetite is respected & delegates to ALCO the management and optimization of the bank's interest rate risk position.

The functional management of ABE's interest rate risk can be summarized as follows:

- Short term interest rate positions are managed by ABE's Treasury department in application and execution of ALCO decisions.

- The functional management of ABE's structural interest rate positions belongs to its ALM department. ALM reports on the bank's structural interest rate risk to its senior management. It ensures that ALCO decisions pertaining to the management of structural interest rate risk are implemented. It also develops, calibrates and maintains ABE's interest rate risk indicators.

- ABE's Risk Management department independently ensures that all sources of interest rate risk are identified, analyzed, reported and managed.

- Financial Control Bank, acting as a product control unit, is responsible to generate and reconcile ABE's balance sheet. As such, it provides its figures and various relevant reports to ABE's ALM and ABE's Risk Management departments.

3.5.2. Risk appetite policies

ABE uses different indicators to identify, measure, and analyze its sources and components of interest rate risk:

- The **Carry and IRE Indicators** which are P&L stress tests reported to ABE's ALCO. They are produced by ABE's ALM department and provide the impact of an abrupt rate shock of plus or minus 100 basis points applied to the whole yield curve on the interest rate margin for the coming twelve months. The carry indicator is a forward looking stress test which includes expected figures derived from ABE's business plans. The comparison of a base scenario with these shock scenarios expresses the influence of rate shocks on the interest margin of ABE.

- The **Solvency Indicator** (option adjusted) is calculated and reported by ABE's ALM department to the ALCO. It represents the sensitivity of ABE's market value in case of a positive parallel shift on the interest rate yield curve with 100 basis points. This indicator equals to the difference between the market value calculated on the basis of the shifted curve and the market value calculated on the basis of the initial (end-of-month) curve.

ABE also monitors and complies with a sensitivity indicators (on value and earnings) defined by its regulator[16].

Quantitative information on this risk can be found in section 4.7 of ABE's IFRS Consolidated Financial Statements 2010.

3.5.3. Capital requirement assessment

ABE's Risk Management department calculates its economic capital for interest rate risk through a Monte-Carlo Value at Risk (V@R) analysis, with a confidence level of 99.9% and a holding period of two months

As of the 31/12/2010, on a consolidated basis & without taking diversification benefits into account, ABE's economic capital for interest rate risk represented 38.8 % of ABE's economic capital.

In 2010, ABE's Risk Appetite Steering Committee also considered and measured basis risk for all mortgage loans coming to re-pricing in a one year horizon. Through an internal model, ABE maintained an economic capital representing 4.12%[17] of its total economic capital to hedge against this risk.

Economic capital, for an amount representing 4.03%[18] of ABE's economic capital was also set aside to hedge against residual risk.

3.6. Liquidity Risk

[16] See CBFA Circulars #2006-17 and #2007-3.
[17] On a consolidated basis & without taking diversification benefits into account.
[18] On a consolidated basis & without taking diversification benefits into account.

ABE's Risk Taxonomy considers the following four aspects of liquidity risk which all fall within the scope of liquidity risk management:

- **Short Term Liquidity Risk** defined as the risk that ABE 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 the structural, long term balance sheet can not be financed at reasonable cost and in a timely manner. In this view of liquidity risk, the total on and off balance sheet positions are considered from a structural asset and liability management perspective.

- **Contingent Liquidity Risk** related to the organization and planning for liquidity management in times of stress.

- **Country Risk** defined as the risk that a country prevents / hinders the free flows of money, as this could impact both short term and/or long term liquidity.

3.6.1. Risk management governance

ABE manages its liquidity risk at its head office level. Branches and subsidiaries are not responsible for the management of their liquidity. The risks are transferred to ABE's head office for management through a Fund Transfer Pricing Mechanism Framework which takes into account country, liquidity and interest rate risks.

The governance of ABE's liquidity risk can be summarized as follows:

- ABE's Board of Directors and ABE's Management Board assume the responsibilities described in section 1.6 for the management of liquidity risk.

- ABE's Asset & Liability Committee (ALCO) manages the structure of the bank's balance sheet, aiming to optimize its liquidity position. Consequently, it applies and implements liquidity risk management strategies. It reviews liquidity risk reports and monitors compliance with agreed limits by following relevant liquidity indicators.

ABE's ALCO is assisted in this work by ABE's Asset & Liability Management department (ALM), Treasury & Investment, Financial Control and Risk Management departments:

- Short term (non structural) liquidity (including intra-day) is managed by ABE's Treasury in application and execution of ALCO decisions.

- The functional management of ABE's structural liquidity belongs to its ALM department. ALM reports on the bank's structural liquidity risk to its senior management. It ensures that ALCO decisions pertaining to the management of structural liquidity risk are implemented. It also develops, calibrates and maintains ABE's liquidity risk indicators.

- ABE's Risk Management department independently ensures that all sources of liquidity risk are identified, analyzed, reported and managed.

- Financial Control Bank, acting as a product control unit, is responsible to generate and reconcile ABE's balance sheet. As such, it provides its figures and various relevant reports to ABE's ALM and ABE's Risk Management departments.

3.6.2. Monitoring liquidity risk

ABE's ALCO monitors the following sets of liquidity risk indicators to evaluate and manage its consolidated liquidity risk:

- **Dynamic indicators** (consolidated and by main branches) which provide a one year (and more) perspective on ABE's liquidity risk. These indicators report on the evolution of expected assets compared to expected liabilities sources. Projections and assumptions from strategic business plans are included to provide senior management with a more realistic "dynamic" view of the ABE's expected liquidity situation. ABE's dynamic indicators include liquidity stress tests which are internally used as liquidity risk appetite limits.

- **Overnight positions** through which ABE's Risk Management department aggregates (on a daily basis) the bank's end of day final cash flows positions and verifies whether the bank's closing liquidity positions are in compliance with ALCO agreed liquidity risk appetite limits.

- **CBFA Prudential Ratio** which provides an instant assessment of ABE's available liquidity (required liquidity against available liquidity in Euros over different time horizons). The assumptions for this ratio can be found in the CBFA Circular 2010-21.

More qualitative and quantitative information concerning ABE's liquidity can be found in section 4.8 of ABA Bank Europe's 2010 Annual Accounts.

3.6.3. Capital requirement assessment

In 2010, ABE decided to maintain an economic capital representing 3.34%[19] of its total economic capital to hedge the bank against its structural liquidity risk.

3.7. Other Risks

The following section describes the management of other risks that ABE considers material through its Internal Capital Adequacy Assessment Process.

- It first presents risks mitigated both by internal risk management processes and by economic capital: business risk and pension risk.
- It then presents risks solely mitigated by internal risk management processes: strategic risk, reputation risk and country risk.

[19] On a consolidated basis & without taking diversification benefits into account.

3.7.1. Business

ABE describes this risk as the risk arising from deteriorating margins on commercial products (retail credits & savings) due to competitive environment.

This risk is first mitigated through a surveying of ABE's competitive environment performed by its Product Management department and its relevant retail networks. Recommendations made by ABE's Product Management department are discussed in ABE's ALCO, Retail Credit Committee or Savings and Investment Committee.

ABE also mitigates this risk by quantifying an economic capital through an internal model. It calculates the impacts of changes to the commercial margins on the new production of retail loans and on its total retail deposit portfolio.

In 2010, ABE maintained an economic capital of 1.42% of total economic capital to hedge against this risk.

3.7.2. Pension

ABE defines its pension obligation risk as the risk of facing additional contributions to pension schemes. ABE is exposed to some pension obligation risk through defined benefits pension plans maintained in Belgium for some of its staff.

The risk on such plans are assessed with the assistance of an AXA consulting firm (EMFEA) and managed by ABE's HR department with the assistance of AXA Belgium's HR.

Expected pension risk losses are first mitigated through the IAS 19 accounting approach. ABE then maintains economic capital (measured by ABE's Risk Management department through an internal model) to hedge itself against unexpected pension obligation risk losses.

In 2010, ABE maintained an economic capital of 0.21% of its total economic capital, to hedge against this risk.

Further quantitative information concerning ABE's pension liabilities can be found in ABE's IFRS Consolidated Financial Statements 2010 in its section 32.

3.7.3. Strategic

ABE considers "strategic" the risk that its main objectives and risk tolerance targets (in terms of capital, earnings, liquidity and value) are not attained. This risk mainly materializes when "strategic" decisions are required from ABE's Board of Directors and Management Board to:

a. Adapt to the external business environment;
b. Improve the internal organization; or
c. Seize new strategic opportunities.

Decisions are strategic when they relate to ABE's:

a. Overall strategy;
b. Functional strategic objectives (Example: risk appetite & tolerance targets, capital management objectives);
c. Launch of (material) new (or significantly modified) products or business activities;
d. Launch of major projects.

ABE's strategic risks are mitigated by documented key processes which enable ABE's Board of Directors and Management Board to take appropriate decisions based on timely and adequate information.

These key processes have been identified as ABE's Full Strategic Reviews, Annual Strategic Planning Process, Risk Appetite Process, Internal Capital Adequacy Assessment Process, Product Approval Processes as well as Project Portfolio Follow-up Process. All of these processes empower ABE's Boards to set the bank's corporate strategies, priorities and objectives. They also allow these Boards to review strategic performance, allocate resources and align internal limits with priorities.

Strategic risks are also monitored on a continuous basis during the year. The above processes are cascaded through business units and support departments, ensuring that all functional business plans are aligned with the bank's objectives. Business units & local branches must also monitor developments and business trends in their markets. They must report developments that could generate strategic risks for the bank. Ongoing regulatory surveying complete these monitoring to ensure that changes to the legal frameworks do not generate undue strategic risks.

3.7.4. Reputation

ABE defines this risk as the risk of loss resulting from a decrease in the number of clients, transactions and funding opportunities arising from the adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators.

Responsibility for the management of ABE's reputation belongs to ABE's Board of Directors and Management Board. Among others, these boards are assisted in this task by ABE's Communication department, Compliance department and Risk Management department as well as by AXA Group.

AXA Group maintains standard media relation guidelines, social media guidelines as well as standards on financial communication which are in force within ABE. The measures found within these guidelines and standard help protect ABE's reputation towards the general public and investors. AXA Group also provides support by being responsible for the defense of the AXA brand.

Other specific measures are also in place to mitigate ABE's reputation risk towards its customers & distribution networks, staff and supervisors.

3.7.5. Remuneration policy

ABE defines its remuneration policy risk as the risk that its overall remuneration policy does not support its business strategy, risk tolerance, objectives, values, long-term interests or that it encourages excessive risk-taking. It includes the risk that key functions may not be adequately rewarded to attract or retain skilled individuals.

ABE's Compensation Policy and its implementation, as well as the amounts proposed for individual remunerations are set annually by ABE's Board of Directors based on recommendations received by ABE's Remuneration Committee and by AXA Group.

ABE's Remuneration Committee is composed of non-executive administrators, specific experts, members of the Human Resources department and officials from concerned ABE subsidiaries and branches.

ABE's Compensation Policy explains how performances for variable and non variable remunerations are measured. It also sets remuneration policies for control functions and trading room functions. More information on this topic may be found in section 1.5 of the Management Report found within ABE's IFRS Consolidated Financial Statements 2010.

3.7.6. Country

Within ABE, country risk could materialize in relationship with international credit activities and to a smaller extent, with regards to treasury, liquidity and financial market activities.

Nevertheless, ABE's exposures are limited to OECD countries and strongly focused on EU countries. Credit exposures are further monitored within the governance processes described for non retail credit risk. As such, ABE does not maintain economic capital to hedge against this risk.

<u>**Appendix I** – AXA Bank Europe's non retail credit exposures:</u>

- Credit quality steps of non retail credit exposures on the 31/12/2010

AXA Bank Europe's (Non Retail) Credit Exposures As of 31/12/2010						
Exposure Type	**Credit Quality Steps**					
	1	**2**	**3**	**4**	**5**	**6**
Central Governements & Central Banks	2.883.521.417	57.786.775	209.876.342			
Regional Governments & Local Authorities						
Administrative Bodies & Non commercial undertakings						
Multilateral Development Banks						
International Organisations						
Institutions	1.281.218.865	829.462.083	20.156.428	7.271.363		
Corporates	102.881.641	1.295.114.193	4.040.613			
Past due items						
Regulatory High Risk Categories						
Covered Bonds	25.879.540					
Other items (OPC)		16.473.547				
Total:	**4.293.501.463**	**2.198.836.599**	**234.073.383**	**7.271.363**	**-**	**-**
Of which short Term exposures to institutions & corporates	*242.324.373*	*439.885.301*	*12.924.077*			

- Credit quality steps of non retail credit exposures on the 31/12/2009

AXA Bank Europe's (Non Retail) Credit Exposures As of 31/12/2009						
Exposures to	**Credit Quality Steps**					
	1	**2**	**3**	**4**	**5**	**6**
Central Governements & Central Banks	1.660.638.643	41.801.430	163.603.133			
Regional Governments & Local Authorities						
Administrative Bodies & Non commercial undertakings						
Multilateral Development Banks						
International Organisations						
Institutions	1.011.299.697	860.287.839	27.665.117			
Corporates	56.092.273	890.380.884				
Past due items						
Regulatory High Risk Categories						
Covered Bonds	25.873.511					
Securitizations	931.661.227	187.016.146	15.333.833	21.324.225	7.492.467	2.230.640
Other items (OPC)		15.111.866				
Total:	**3.685.565.350**	**1.994.598.165**	**206.602.083**	**21.324.225**	**7.492.467**	**2.230.640**
Short Term exposures to institutions & corporates	342.386.334	590.814.718	7.955.325			

The above tables exclude securitization exposures since those have 12 quality steps. There were no unrated exposures as of 31/12/2009 and as of 31/12/2010.

- ABE's gross, net and risk weighted non retail credit exposures as of the 31/12/2010

AXA Bank Europe's (Non Retail) Credit Exposures As of 31/12/2010			
Exposure Type	**Gross**	**Net**	**RWA**
Central Governements & Central Banks	3.151.184.534	3.151.184.534	116.495.526
Regional Governments & Local Authorities			
Administrative Bodies & Non commercial undertakings			
Multilateral Development Banks			
International Organisations			
Institutions	2.138.108.739	874.608.622	267.279.375
Corporates	1.402.036.447	456.430.339	205.028.285
Past due items			
Regulatory High Risk Categories			
Covered Bonds	25.879.540	25.879.540	2.587.954
Other items (OPC)	16.473.547	16.473.547	9.507.167
Total:	**6.733.682.807**	**4.524.576.582**	**600.898.307**
Of which short Term exposures to institutions & corporates	*695.133.752*		*274.869.564*

- ABE’s gross, net and risk weighted non retail credit exposures as of the 31/12/2009

AXA Bank Europe's (Non Retail) Credit Exposures As of 31/12/2010			
Exposures to	**Gross**	**Net**	**RWA**
Central Governements & Central Banks	1.866.043.205		90.161.853
Regional Governments & Local Authorities			
Administrative Bodies & Non commercial undertakings			
Multilateral Development Banks			
International Organisations			
Institutions	1.899.252.653		603.712.446
Corporates	946.473.157		867.627.131
Past due items			
Regulatory High Risk Categories			
Covered Bonds	25.873.511		2.587.351
Securitizations	1.165.058.538		369.196.867
Other items (OPC)	15.111.866		8.999.776
Total:	**5.917.812.930**	**-**	**1.942.285.423**
Short Term exposures to institutions & corporates	941.156.378		432.497.721

Appendix II – AXA Bank Europe's securitisation exposures:

- Credit quality steps of securitization exposures on the 31/12/2010

AXA Bank Europe's exposures to securitizations As of 31/12/2010						
Exposure Type	Credit Quality Steps					
	1	2	3	4	5	6
Securitizations	735.172.825	226.506.021	67.706.433	17.649.451	19.427.976	14.616.625
	7	8	9	10	11	12
	42.639.402			4.297.848		20.345.850

- Credit quality steps of securitization exposures on the 31/12/2009

AXA Bank Europe's exposures to securitizations As of 31/12/2009						
Exposure Type	Credit Quality Steps					
	1	2	3	4	5	6
Securitizations	931.661.227	187.016.146	15.333.833	21.324.225	7.492.467	2.230.640
	7	8	9	10	11	12
	4.335.871	4.891.116	234.427	8.398.846		15.012.470

- ABE's gross, net and risk weighted securitization exposures as of the 31/12/2010

AXA Bank Europe's exposures to securitizations As of 31/12/2010			
Exposure Type	Gross	Net	RWA
Securitizations	1.148.362.429,29	1.148.362.429,29	461.261.271

- ABE's gross, net and risk weighted securitization exposures as of the 31/12/2009

AXA Bank Europe's exposures to securitizations As of 31/12/2009			
Exposure Type	Gross	Net	RWA
Securitizations	1.197.931.268,26	-	369.196.867

<u>**Appendix III** – AXA Bank Europe's counterparty credit exposures:</u>

- On the 31/12/2010

AXA Bank Europe's Counterparty Credit Exposures As of 31/12/2010					
Transaction types	**Marked to Market**	**Add-on**	**Gross Credit Exposure**	**Notional Value of Contracts**	**Regulatory Capital**
Interest-related transactions					
IRS	- 324.079.712	159.666.967	2.186.681.452	59.299.380.031	66.961.237
OIS	- 426.205	3.195.444	4.909.077	9.658.825.479	84.919
Asset Swaps	- 31.238.439	3.007.500	3.977.845	606.500.000	110.743
Swaptions	239.362	24.491.947	186.100.771	6.166.778.647	5.533.823
Caps/Floors	40.599.843	36.424.627	77.024.471	3.017.544.589	2.094.952
Sub-total	- 314.905.150	226.786.485	2.458.693.616	78.749.028.746	74.785.673
Forex-related transactions					
FX Forwards	1.374.980	2.489.605	6.214.669	247.667.482	245.719
FX Swaps	- 20.191.954	25.398.724	45.595.380	2.539.872.446	1.175.073
OTC FX Options	3.689.187	-	3.690.474	132.100.032	59.105
Sub-total	- 15.127.787	27.888.329	55.500.523	2.919.639.961	1.479.896
SFTs					
Repo	- 1.810.992.330		1.807.359.141	12.340.667.650	7.179.219
Tripartite Repo	700.000.000		- 700.481.644	900.000.000	
Sub-total	- 1.110.992.330	-	1.106.877.497	13.240.667.650	7.179.219
Equity-related transaction					
Equity Swaps	- 2.130.496	177.196.618	32.993.228	3.495.242.556	1.255.973
OTC Equity Options	2.399	147.692	166.951	4.923.057	6.678
Sub-total	- 2.128.097	177.344.310	33.160.179	3.500.165.613	1.262.651
Total counterparty risk	**- 1.443.153.364**	**432.019.124**	**3.654.231.814**	**98.409.501.969**	**84.707.440**
Minus netting					
Minus collateral					
Total net counterparty			338.248.104		**9.004.722**

- On the 31/12/2009

AXA Bank Europe's Counterparty Credit Exposures As of 31/12/2009					
Transaction types	**Marked to Market**	**Add-on**	**Gross Credit Exposure**	**Notional Value of Contracts**	**Regulatory Capital**
Interest-related transactions					
IRS	- 372.374.204	120.314.651	1.281.099.205	42.566.582.917	64.175.762
OIS	- 379.457	500.000	535.026	1.250.000.000	8.560
Asset Swaps	- 17.423.408	1.897.500	2.096.181	385.500.000	58.019
Swaptions	- 423.224	2.950.000	169.893.140	6.263.000.000	5.087.595
Caps/Floors	24.878.077	35.675.496	60.553.573	2.481.965.557	1.947.312
Sub-total	- 365.722.217	161.337.647	1.514.177.125	52.947.048.474	71.277.248
Forex-related transactions					
FX Forwards	145.993	99.666	270.965	7.546.552	21.677
FX Swaps	5.030.139	15.140.038	33.221.932	1.511.502.960	1.396.514
OTC FX Options	-	-	644.938	314.527.661	25.798
Sub-total	5.176.132	15.239.703	34.137.835	1.833.577.173	1.443.988
SFTs					
Repo	178.749.498		- 180.086.933	8.740.990.903	7.115.646
Tripartite Repo	1.200.000.000		- 1.200.062.681	1.200.000.000	
Sub-total	1.378.749.498	-	- 1.380.149.614	9.940.990.903	7.115.646
Equity-related transaction					
Equity Swaps	- 3.009.472	7.036.440	103.338.333	3.808.785.590	8.090.578
OTC Equity Options					
Sub-total	- 3.009.472	7.036.440	103.338.333	3.808.785.590	8.090.578
Total counterparty risk	**1.015.193.941**	**183.613.791**	**271.503.679**	**68.530.402.139**	**87.927.461**
Minus netting					
Minus collateral					
Total net counterparty					

Appendix IV - AXA Bank Europe's non retail credit exposures

- ABE's average gross, net and risk weighted non retail credit exposures for the period starting 1/1/2010 and ending 31/12/2010

AXA Bank Europe's Average Credit Exposures As of 31/12/2010					
Credit Exposures	**On-balance**	**Off-balance**	**Derivatives**	**Repo-like**	**Total**
Gross total	4.786.073.560	59.270.872	2.182.522.618	267.166.650	7.295.033.700
Net total					-
Total RWA	952.491.144	12.078.941	1.087.234.639	136.468.663	2.188.273.388

- ABE's average gross, net and risk weighted non retail exposures for the period starting 1/1/2009 and ending 31/12/2009

AXA Bank Europe's Average Credit Exposures As of 31/12/2009					
Credit Exposures	**On-balance**	**Off-balance**	**Derivatives**	**Repo-like**	**Total**
Gross total	4.785.916.428	12.163.565	603.607.180	123.976.161	5.525.663.334
Net total					
Total RWA	665.219.245	2.432.713	319.011.638	72.655.536	1.059.319.131

- Impairments realized as of the 31/12/2010 and as of the 31/12/2009

AXA Bank Europe's Impaired Gross Credit Exposures In '000.000 € By geographic region		
Region	**31/12/2009**	**31/12/2010**
Western Europe	9,30	3,7
Eastern Europe		
North America		0,03
Africa & Middle East		
Asia		
Rest of the world		
Total	9,30	3,73

Appendix V - Risks resulting from other AXA Bank Europe entities

1. AXA Belgium Finance

The activities of this company are the issuance of different types of structured notes destined to be sold and distributed by ABE to its retail clients and to onlend their proceeds to ABE. AXA Belgium Finance structured notes are 100% (irrevocably and unconditionally) guaranteed by ABE (both capital and interest). All the risks generated by these activities are transferred to (and managed by) ABE.

2. AXA Hedging Services (Ireland) + Paris Branch

AXA Hedging Services provides advisory services to AXA Group insurance companies on hedging strategies and hedging transactions. Its risks (including compliance and legal risks) are mitigated through ABE's risk appetite processes. Economic capital is taken (and consolidated at ABE's head office level) for these risks.

3. Beran

Beran owns land property rights on which some of ABE's operations in Antwerp are located. It financed its purchase of those rights through credits from ABE. Having no revenues, Beran has been capitalized by ABE so that it can honor its debts to ABE. The market value of its land property rights (which are held solely for operational purposes) exceeds their original acquisition cost.

4. Motor Finance Company NV

The purpose of this company is to have ATM installed within ABE's network. It is financed by ABE through a mix of capital investment and credit facilities. This company is profitable and capable of honoring its commitments.

5. Royal Street SPV

Royal Street is an SPV created to securitize a part of ABE's residential mortgage portfolio. As an SPV, Royal Street does not engage in any specific businesses. More information on this company can be found in section 3.2.3.1 of this report.

6. ABE SCF

ABE SCF is a banking entity, subsidiary of ABE, created for the purpose of issuing covered bonds / obligations foncières for the benefit of its parent company (ABE). It assists ABE in managing its liquidity positions. ABE SCF (ABE SCF) is a French regulated bank.

ABE SCF has no specific business activities for its own benefit. It only maintains activities that support ABE's covered bonds program done for liquidity management.