AXA Belgium Finance (NL) B.V.

Annual report for the year ended December 31, 2019

Amsterdam, April 20, 2020

Approved and adopted in the general meeting of shareholders dated April 20, 2020

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General information

Management board
Mr. Aernout Veerman (Chairman)
Mrs. Grete Schaekers (Member)

Statutory seat
Amsterdam

Registered office
Beethovenstraat 518
1082 PR Amsterdam

File number at the Business Register of the Chamber of Commerce: 33224298

The Management board reviewed the Annual report of AXA Belgium Finance (NL) B.V. at April 20, 2020 and authorised their issue.

Management report

General

AXA Belgium Finance (NL) B.V. is a limited liability company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. The Company is a wholly owned subsidiary of AXA Bank Belgium S.A./N.V. The legal address of the parent company is Troonplein 1, 1000 Brussels, Belgium. AXA Bank Belgium S.A./N.V. in its turn is held for 100% by AXA S.A., Paris, France.

The Company has a Management Board consisting of two managing directors, who have been appointed by the Company's shareholder. The Company has, besides the Dutch Director, no staff, and its Management Board members work on a part-time basis for the Company. There are no potential conflicts of interests between any duties to the Company of any of the Management Board members and their private interests and/or other duties. At 31 December 2019 the Management Board of the Company consists of Mr. Aernout W. Veerman, chairman and Mrs. Grete Schaekers, member.

The Management Board was informed by AXA Bank Belgium that, on October 25, 2019, AXA S.A. announced that it has entered into an agreement to sell its Belgian banking operations, AXA Bank Belgium, to Crelan Bank ("Crelan"). Under the terms of the agreement, AXA will sell 100% of AXA Bank Belgium to Crelan.
In addition, AXA and Crelan have agreed to enter into a long-term P&C and Protection insurance distribution partnership, extending the existing partnership between AXA Bank Belgium and AXA Belgium to the entire Crelan network. Furthermore, AXA will take a 9.9% minority equity stake in Crelan NV and AXA Bank Belgium, investing a total of Euro 90 million.

Completion of the transaction is subject to customary closing conditions, including the receipt of regulatory approvals, and is expected to be finalized in the second half of 2020.
The Management Board will monitor these events and their evolution very closely and will assess the potential impact of the announced sale operation on the outstanding notes and noteholders, and future issuing activity as soon as further detailed and practical information on the conditions of the announced sale will be disclosed by the parties concerned.

Financial information

In comparison with the previous financial year, the total assets show a decrease of EUR 90 million and arrive at an amount of EUR 1,144 million (2018: EUR 1,234 million).

The net operating income decreased with EUR 36,000 from EUR 756,000 to EUR 720,000. The operating expenses decreased with EUR 6,000 from EUR 230,000 to EUR 224,000.
The profit before tax decreased slightly and amounts to EUR 496,000 (2018: EUR 526,000).

The Management Board proposes to the Annual General Meeting to add the entire net profit of EUR 450,000 to the retained earnings.

Business overview

According to Article 2 of its Articles of Association, the Company's objectives are:

- to finance other enterprises and companies;
- to found, to participate in any way in, to manage and to supervise enterprises and companies;
- to provide guarantees and to engage the Company or its assets for the benefit of connected enterprises and companies;
- to grant services to enterprises and companies;
- to lend, loan and raise funds, including the issue of bonds, IOUs or other securities, and conclude the connected agreements;
- obtaining, alienating, managing and exploiting of real estate and value properties in general;
- carrying out all sorts of industrial, financial and commercial activities.

Currently, the Company's activity consists of issuing notes under programmes that are unconditionally and irrevocably guaranteed by its sole shareholder AXA Bank Belgium S.A./N.V. (the Guarantor). The notes issued by the Company are mainly placed among retail investors in Belgium or European investors. The net proceeds of these notes are lent to AXA Bank Belgium S.A./N.V., which uses the proceeds for general corporate purposes.

A number of Notes are listed on the Luxembourg Stock Exchange. Notes issues can be subject to selling commissions, out-of-pocket expenses and are subject to paying agency fees.

In 2010 a Notes Issuance Programme for a maximum amount of EUR 1,000 million was launched together with AXA Bank Belgium S.A./N.V. (co-issuer and Guarantor). The Notes issued under this Programme are governed by Belgian law. On 17 April 2012, the Belgium regulator FSMA (Autoriteit voor Financiële Diensten en Markten) has approved the extension of this Programme from EUR 1,000 million to EUR 2,000 million. The Base Prospectus describing the Programme was last updated on 25 September 2018.

The following notes matured in 2019:
- Optinote Carmignac Patrimoine (14/02/2019) – EUR 27,254,000;
- Optinote European Dividend (20/06/2019) – EUR 16,488,000;
- Optinote New Zealand (06/09/2019) – NZD 44,260,000;
- Sérénité 2 (12/12/2019) – EUR 37,306,000.

Contrary to the Notes issued under earlier Programmes, some Notes issued under this Programme were offered in other countries than Belgium, through the services provided by Local third party distributors appointed upon advice and in sub delegation of the Company's principal distributor, AXA Bank Belgium S.A./N.V. In order to enable such activities, the Base Prospectus describing the Programme has been notified by the Belgian regulator (FSMA) to the official regulators in France and Luxemburg. All recently Notes issued however are only distributed in Belgium.

On 31 December 2019 the nominal value of the AXA Bank Belgium S.A./N.V. bonds was EUR 999 million (2018: EUR 1,100 million) and based on IFRS EUR 1,070 million (2018: EUR 1,166 million) excluding interest.

On 31 December 2019 the following par values of notes, issued by the Company under the EUR 2,000,000,000 Notes Issuance Programme dated 21 September 2010, were outstanding:
- Coupon Sérénité 4: EUR 96,742,000;
- Life Opportunity: EUR 42,289,000;
- Life Opportunity 2: EUR 29,088,000;
- Sweet Reverse 5: EUR 2,750,000;
- Life Opportunity 3: EUR 47,969,000;
- Life Opportunity Selection: EUR 31,579,000;
- Sweet Reverse 6: EUR 2,000,000 (distributed in Portugal);
- Sweet Reverse 7: EUR 1,900,000 (distributed in Portugal);
- Oxylife Opportunity: EUR 12,459,000;
- Oxylife Opportunity 2: EUR 9,733,000;
- Life Opportunity Selection 2: EUR 22,821,000;
- Life Opportunity Selection 2 Dynamic: EUR 10,761,000;
- Oxylife Opportunity 3: EUR 18,805,000;
- Optinote Prestige: EUR 11,084,000;
- Life Opportunity Selection 3: EUR 21,758,000;
- Life Opportunity Selection 3 Dynamic: EUR 6,238,000;
- Oxylife Opportunity 4: EUR 20,340,000;
- Oxylife Opportunity 5: EUR 14,235,000;
- Life Opportunity Index: EUR 10,429,000;
- Optinote Multistep Australia: AUD 46,324,000;
- Oxylife Opportunity 6: EUR 5,755,000;
- Life Opportunity Selection 4: EUR 8,624,000;
- Life Opportunity Selection 4 Dynamic: EUR 3,771,000;
- Optinote European Selection: EUR 25,865,000;
- Oxylife Opportunity 7: EUR 1,840,000
- Life Opportunity Index 2: EUR 4,773,000;
- Life Opportunity Index 2 Short: EUR 950,000;
- Optinote European Selection 2: EUR 11,548,000;
- Optinote Multistep New Zealand: NZD 46,392,000;
- Optinote European Excellence: EUR 73,091,000;
- Optinote Energy: EUR 18,569,000;

- Optinote Euro Diversification: EUR 12,993,000;
- Optinote New-Zealand 2: NZD 54,744,000;
- Optinote Flexfunds: EUR 26,311,000;
- Optinote Demography: EUR 19,114,000;
- Optinote Megatrends: EUR 11,283,000;
- Optinote New Zealand Dollar 3: NZD 30,724,000;
- Optinote Scandinavia NOK: NOK 97,210,000;
- Optinote European Excellence 2: EUR 26,622,000;
- Optinote Global Diversification: EUR 8,686,000;
- Optinote World Demography: EUR 9,778,000;
- Optinote ESG Leaders Switchable: EUR 36,873,000;
- Optinote Super Region Switchable: EUR 17,483,000;
- Optinote Nordic 3: NOK 416,730,000;
- Optinote Low Carbon: NOK 138,130,000;
- Optinote ESG Leaders Switchable 2: EUR 11,746,000;
- Optinote Australia 3: AUD 42,082,000.
- Optinote CMS Fixed to Spread Coupon: EUR 50,000,000.

Risk management

On December 31st 2019, the main activity of the Company consists of lending the proceeds of issued notes to AXA Bank Belgium S.A./N.V., where a maximum correlation between the conditions of the notes and those of the hedge through the bonds issued by AXA Bank Belgium S.A./N.V. is pursued, thus preventing the existence of substantial transformation risks.

As a finance company, the Company could face a number of risks including, but not limited to credit risk, market risk, currency risk, operational risk and liquidity risk. In assessing the risk profile of the Company it is important to note that all notes issued by the Company are unconditionally and irrevocably guaranteed by AXA Bank Belgium S.A./N.V.

Credit risk: as a finance company, the Company is exposed to the creditworthiness of its counterparties where the Company may suffer losses related to the inability of its debtors or counterparties to meet their financial obligations. As all the proceeds of the notes are lent to the Guarantor, the significant credit risk is limited to the Guarantor.

Market risk: refers to the risk of loss relating to fluctuations in market prices and interest rates, their interactions and their level of volatility. Due to the nature of its activity, the Company is prevented from assuming significant exposure to market risk.

Foreign currency risk: the Company has issued Notes in Australian dollar, Norwegian crown and New Zeeland dollar. As all the proceeds of the Notes are lent to the Guarantor through the acquisition of the Bonds issued by the Guarantor and these bonds are in the same currencies, there is no significant foreign currency risk exposure. Other than these issues, the Company is not active in different currency zones or dealing with instruments in different currencies.

Operational risk: is the risk of loss arising from the inadequacy or failure of procedures, individuals or internal systems, or even external events (such as, but not limited to natural disasters and fires). It includes risk relating to information systems, litigation risk and reputation risk. The Company cannot provide assurances that such failures will not occur or, if they do occur that they will be adequately addressed. Operational, information and security risks are, however, actively managed through a common AXA Bank Belgium S.A./N.V. framework that identifies, measures and monitors the risks and its mitigating controls in the businesses of AXA Bank Belgium S.A./N.V. and its subsidiaries.

Liquidity risk: is the risk that the Company cannot meet its financial liabilities when they fall due, at reasonable costs and in a timely manner. We refer to the Guarantee by AXA Bank Belgium S.A./N.V. that unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the issued notes as well as of any additional amounts which may be required to be paid by the Company.

Regulatory risk: is the risk that the Company's and the Guarantor's business activities are subject to increased and changing substantial regulation and regulatory oversight in the jurisdictions in which it operates and that they are subject to initiatives in the European recovery and resolution regulation.

Generally, the risks are based on contingencies which may or may not occur and neither the Company, nor the Guarantor, is in a position to express a view on the likelihood of any such contingency occurring.

It's important to know that management relies on the risk management governance and procedures of AXA Bank Belgium. Indeed AXA Bank Belgium also manages its risks at consolidated level taking into account the EMTN activity.

After the financial crisis the Basel Committee strengthened substantially the solvency and liquidity requirements for credit institutions. On solvability there are now more strict rules on the composition of the own funds and there is a gradual implementation of the minimum required solvency requirements and the implementation of a leverage ratio (difference between balance sheet total and Tier I capital). AXA Bank Belgium is obliged to report quarterly on those requirements towards its regulator.

AXA Bank Belgium falls under direct supervision of the ECB and also participates on the 'Supervisory Review and Evaluation Process' (SREP) monitored by the ECB.

Based on this exercise the ECB concluded that AXA Bank Belgium implemented globally healthy and efficient strategies and processes to estimate and to follow up its capital requirements and agreed to lower the Tier II capital. The eligible capital is more than sufficient to cover the nature and level of risks to which the bank is exposed.

In terms of governance, AXA Bank Belgium manages its risk on a consolidated basis but ensures, by construction, that its entities, on a stand-alone basis, are not supporting material risks. In the specific case of AXA Bank Belgium, any issued EMTN was backed by a structured bond issued by AXA Bank Belgium that pays the capital at maturity together with the performance.
Before September 2016, this method of hedging through the buying by the Company of a transferable bond issued by AXA Bank Belgium, the Company used to hedge a bilateral “Structured deposit”.

Prudential capital requirements are carefully monitored at the level of the Capital Management Committee within AXA Bank Belgium, which reports periodically towards the Asset & Liability Committee (ALCO).

At the level of AXA Bank Belgium the main risks linked to the EMTN activity are:

- Market risk: AXA Bank Belgium follows a strict risk framework for its trading activity which includes the hedges of the EMTN with the market. At inception new EMTNs are fully hedged. Only some residual position can result from EMTNs bought back from clients before maturity.
- Credit counterparty risk: There are limits defined by counterparty that cover all AXA Bank Belgium derivatives including the one hedging EMTNs.
- Regulatory risk: is the risk that AXA Bank Belgium business activities are subject to increased and changing substantial regulation and regulatory oversight in the jurisdictions in which it operates and that it is subject to initiatives in the European recovery and resolution regulation, including the writing down and/or conversion or bail-in of the Guarantor in case of non viability of AXA Bank Belgium.

Fair value calculation

- The fair values are, except for some manual products or elements, produced by the front office application Sophis which contains (a) the models that are used in its financial library and (b) the market parameters that are updated on a daily basis enabling consequently a daily calculation of the fair values.
- Before any model application or model change including the market data, a motivated request for approval after a detailed analysis is released by the Control and Accounting Financial Markets department, in charge of the independent valuation process of AXA Bank Belgium, in order to get the validation of Risk Management for the put in production of the described solution. This enables to get evidence that any valuation process has been subject to a second level of validation before use.
- Once validated, the solution is put in production and a daily upload and control of the market data process takes place in respect of an Internal Financial Control (IFC) procedure in which evidences of controls and, potentially, corrections have to be produced. This procedure enables to avoid significant market data quality problems.

- Once the market data are uploaded, the valuations are produced automatically by the application Sophis and are feeding (a) the accounting as well as (b) the economic reports which are produced and controlled on a daily basis.
- At the end of the month, the accounting P&L is compared with the independently calculated economic figures with respect to the IFC P&L reconciliation process.
- Finally, the valuations of AXA Bank Belgium are compared with those received by the counterparties with respect to the valuation check procedure which enable to validate, or detect problems if any, the levels defined by AXA Bank Belgium. A motivated and detailed file is communicated for validation to the Risk Management validation team twice a year and the outcome is presented to the Wholesale Risk Committee (WRC).

In consequence of the risk management framework as described above, capital management of AXA Belgium Finance and all related decisions are also monitored within AXA Bank Belgium in close collaboration with the management of AXA Belgium Finance (NL) B.V.

Declaration section 5:25C

As required by section 5:25c of the Wet op het financieel toezicht (Dutch Financial Supervision Act), the Managing Directors declare that, to the best of their knowledge,

1. the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
2. the management report gives a true and fair view of the important events and their impact on the financial statements and as well as major related party transactions that have occurred during the financial year together with a description of the principal risks and uncertainties that the Company faces.

Corporate social responsibility

The Company is a member of the AXA group that is active at the crossroads between social development, respect for the environment and economic performance. As such, the AXA group has developed a sustainable development strategy focusing on the specific nature of its financial protection business and the responsible behaviour commensurate with its status as a major international group.

This is why the AXA group is committed to carrying out its activities as a responsible corporation, managing its direct impact on its various stakeholders:

- Employees: continually strengthening their skills and commitment with a view to improving performance, with a priority focus on diversity and equal opportunities.
- Clients: consistently delivering efficient services and adapted solutions, while adhering to the highest standard of professional conduct.
- Shareholders: achieving industry-leading operating performance levels in order to create lasting value, and providing them with transparent information.
- Suppliers: assessing their commitment to sustainable development and human rights when selecting suppliers, with AXA's purchasers upholding strict rules of professional conduct.
- The community: developing corporate philanthropy actions focusing on prevention, social volunteering, local development and the light against exclusion.

Investments

Since the date of the closing of the previous financial year, there have been no principal investments made. Moreover, the Company has not planned any principal future investments, except for the onlending of the proceeds of the notes under the present programmes. Considering that there are no firm commitments for future investments, no information regarding the anticipated sources of funds needed to fulfil them is provided.

Future developments

The Notes Issuance Programme dated 21 September 2010 is created at the request of, and in close collaboration with AXA Bank Belgium S.A./N.V. (in this Programme AXA Bank Belgium S.A./N.V. acts both as potential Issuer together with AXA Belgium Finance (NL) B.V. and as Guarantor) and will support the international business objectives of AXA Bank Belgium S.A./N.V. that aim at providing an offer of notes with a broad range of maturities, currencies, structures and sizes, that shall be distributed through local entities of the AXA Group or third party distributors. The Programme allows retail issues, institutional issuances, private placements and reverse inquiry issues (for entities of the AXA Group and third parties) which can be organized under the same Programme throughout Europe.

Since 31 December 2019 no new Notes are issued (situation April 2020).

For the rest of 2020 AXA Bank Belgium S.A./N.V. has informed the Company that, notwithstanding the present financial landscape, but considering the request of its clients for capital protected investment products, it has renewed its intentions to distribute structured Notes in Belgium in 2020 for which they might request the launching by AXA Belgium Finance (NL) B.V. under the Programme. Therefore, the Company expects a limited issuing activity for 2020. Furthermore, the Management Board wants to refer to the announced sale of AXA BANK as described above creating uncertainties with regard to future activities of the Company and its role within the group's funding strategies.

Apart from these intentions and business objectives, there has been no material adverse change in the financial position or prospects of the Company since 31 December 2019. There are no known further trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of the Company for the year ended 31 December 2019.

COVID-19

After the year-end closing of December 31, 2019, Europe was hit hard by the COVID-19 epidemic. The health measures that have been implemented do not currently affect the operational functioning and activities of the Company. Although the impact on the economy cannot yet be determined, this pandemic has no impact on the accounts as at December 31, 2019 and we do not expect any impact on the Company's activities. We closely follow the evolution of the pandemic in relation to the activities of the Company.

With regard to future expectations, it is currently not yet possible to predict or quantify the impact for the coming weeks or months for AXA Belgian Finance (NL) B.V. or for its parent company AXA Bank Belgium. Despite a likely significant impact on the local and global economy, it is currently not possible to assess how deeply and for how long this crisis will affect us, given that national authorities around the world are constantly updating or issuing measures to limit the transmission and effects of Covid-19. However, due in part to the structuring of the Company's activities and the credit rating of AXA Bank Belgium, there is currently no indication that the continuity of the Company's activities is threatened.

Amsterdam, April 20, 2020

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board

Financial statements

Statement of financial position as at December 31, 2019

	Note	2019	2018
		EUR 000	EUR 000
Assets			
Financial assets at fair value through profit or loss	4	1,140,851	1,231,362
Taxes receivable	5	196	187
Cash and cash equivalents	6	2,892	2,455
Total assets		**1,143,939**	**1,234,004**
Shareholder's equity			
Issued share capital	7	1,768	1,768
Retained earnings	8	1,585	1,135
Total shareholder's equity		**3,353**	**2,903**
Liabilties			
Financial liabilities at fair value through profit or loss	9	1,140,538	1,231,029
Other liabilities and accruals	10	48	72
Total liabilities		**1,140,586**	**1,231,101**
Total liabilities and shareholder's equity		**1,143,939**	**1,234,004**

MAZARS
Mazars Accountants N.V.
Initialled for
identification purposes only
KH/20 April 2020

Statement of profit or loss and other comprehensive income for the year ended December 31, 2019

	Note	2019	2018
		EUR 000	EUR 000
Interest income	11	42,657	28,742
Interest expense	11	-41,943	-27,980
Net interest income		**714**	**762**
Net gains/losses on financial assets and liabilities at fair value through profit or loss	12	0	0
Foreign exchange gains/losses	13	6	-6
Net operating income		**720**	**756**
Operating expenses	14	-224	-230
Net operating expenses		**-224**	**-230**
Profit before tax		**496**	**526**
Income tax expense	5	-46	-138
Profit for the period		**450**	**388**
Other comprehensive income for the year, net of tax		0	0
Total comprehensive income for the year		**450**	**388**

The total comprehensive income for the year is fully attributable to the sole shareholder.

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KH/20 April 2020

Statement of changes in equity for the year ended December 31, 2019

	Share capital	Retained earnings	Total
	EUR 000	EUR 000	EUR 000
As at January 1, 2018	**1,768**	**747**	**2,515**
Profit for the year	0	388	388
Other comprehensive income	0	0	0
Total comprehensive income	0	388	388
Dividends	0	0	0
	0	388	388
As at December 31, 2018	**1,768**	**1,135**	**2,903**
Profit for the year	0	450	450
Other comprehensive income	0	0	0
Total comprehensive income	0	450	450
Dividends	0	0	0
	0	450	450
As at December 31, 2019	**1,768**	**1,585**	**3,353**

Statement of cash flows for the year ended December 31, 2019

	2019	2018
	EUR 000	EUR 000
Profit before tax for the year	**496**	**526**
Adjustments to reconcile profit before tax to net cash flows:		
Interest income	-42,657	-28,742
Interest expense	41,943	27,980
Effect of exchange rate changes	-1	6
Other movements	0	0
	-219	-230
Working capital adjustments:		
Changes in interest receivables, deffered tax assets and other receivables	0	114
Changes in interest liabilities, taxes payable and other liabilities and accruals	-24	-189
	-24	-75
Operating activities:		
Bonds granted to group companies	-50,000	0
Repayments on bonds to group companies	152,813	80,701
Proceeds from issued medium term notes	50,000	0
Repayments on issued medium term notes	-152,813	-80,701
Interest received	37,469	18,447
Interest paid	-36,738	-17,658
Income tax paid	-52	-188
	680	601
Cash flow from operating activities	**437**	**296**
Financing activities:		
Dividend paid	0	0
Cash flow from financing activities	**0**	**0**
Net increase/decrease of cash and cash equivalents	437	296
Cash and cash equivalents as at January 1	2,455	2,159
Cash and cash equivalents as at December 31	**2,892**	**2,455**

The cash flow statement has been drawn up using the indirect method.

Notes to the financial statements

1 Corporate information

AXA Belgium Finance (NL) B.V. (the Company) is a limited liability Company ('Besloten Vennootschap met beperkte aansprakelijkheid') under the laws of the Netherlands. At December 31, 2019 the Company is a wholly owned subsidiary of AXA Bank Belgium S.A./N.V. The legal address of the parent company is Troonplein 1, 1000 Brussels, Belgium. AXA Bank Belgium S.A./N.V. shares are held by the ultimate parent company AXA S.A., Paris, France.

2 Basis of preparation

2.1 Reporting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU) and comply with mandatory elements of Part 9 of Book 2 of the Dutch Civil Code. Transactions are accounted for at settlement date.

2.2 Functional and presentation currency

These financial statements are presented in Euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

2.3 Use of significant accounting judgements, estimates and assumptions

The Company uses estimates and judgments when drawing up its financial statements on the basis of IFRS EU. These estimates and assumptions are continuously tested and are based on the experience from the past and other factors, among which an acceptable assessment of future events based on currently known conditions. The principal judgments and estimates, including underlying assumptions, are disclosed in note 19 Fair value of financial assets and liabilities at fair value through profit or loss.

2.4 Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 Accounting policies

3.1 Change in accounting policies

The accounting policies as applied by the Company for the Annual report for the year ended December 31, 2019 are unchanged compared to last year.

3.2 New Standards, Improvements, Amendments and Interpretations effective as from 2019

The Company applied for the first time certain IFRS Standards, Improvements, Amendments and Interpretations which are effective for annual periods beginning on or after January 1, 2019 (IFRS and EU effective date):

- IFRIC 23 Uncertainty over Income Tax Treatments.
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

Although these new Amendments applied for the first time in 2019, they had no impact on the 2019 annual report.

3.3 Standards, Improvements, Amendments and Interpretations issued but not yet effective

The Standards, Amendments and Improvements that are issued, but not yet effective, up to the date of issuance of the Company's Annual report will be adopted once they become effective in the EU:

- Amendments to References to the Conceptual Framework in IFRS Standards (IFRS effective date January 1, 2020).
- Amendments to IAS 1 and IAS 8. Definition of Material (IFRS effective date January 1, 2020).
- Interest Rate Benchmark Reform – phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7) (IFRS effective date January 1, 2020)

These Standards, Amendments and Interpretations are not expected to have a significant impact on the annual report of the Company.

3.4 Summary of significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Foreign currency translation
The financial statements are prepared in euros, the functional and presentation currency of the Company.

Transactions denominated in foreign currencies are initially carried at the functional exchange rates ruling at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates ruling at the balance sheet date. Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies are taken to profit or loss.

Financial assets at fair value through profit or loss
Bonds are initially designated at fair value through profit or loss and recognised at fair value. After initial recognition, these receivables are carried at fair value through profit or loss with all fair value movements directly recognised in profit or loss.

IFRS 9 foresees that an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on term on different bases. The Company has made use of this possibility by designating the bonds granted to AXA Bank Belgium at fair value through profit or loss, in order to avoid an accounting mismatch with the financial liabilities (medium term loans and notes) that are also measured at fair value through profit or loss. The accounting measurement at fair value through profit or loss was already in place during the previous years under the former Standard IAS 39.

Other receivables
Other receivables, if any, are stated at amortized cost less impairment. The loss allowance will be equal an amount of the lifetime expected losses as permitted under the simplified approach of IFRS 9.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition.

The credit loss is considered to be zero for cash and cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value), including cash on hand, cash balances with banks and other demand deposits.

Other liabilities
Other liabilities are stated at amortised cost.

Financial liabilities at fair value through profit or loss
Medium term notes are initially recognised at fair value. After initial measurement, these liabilities are carried at fair value through profit or loss with all fair value movements directly recognised in profit or loss. The guarantee given by the parent company is both embedded in the CVA calculation on the bonds and the DVA calculation of the medium term notes given the fact those adjustments are based on indicative credit spread of the parent company AXA Bank Belgium S.A./N.V. regularly received from other Banks (such as Crédit Agricole, Deutsche Bank, ING, BNPP or Natixis for example). This method calculates the difference between the spread on the date of issue (which is the average of the received contributions) and the same level on the reporting date. This difference is used to determine the theoretic cash flow at the date of each coupon, corresponding with the value fluctuations due to the changes in credit risk. They are then discounted to determine the debit or credit value adjustment for each issue. The Company is not subject to an accounting mismatch defined in IFRS 7.10.

Taxes
Taxes are calculated on the result disclosed in profit or loss, taking account of tax-exempt and partly or completely non-deductible expenses. Taxes owed and refundable over the reporting period relating to current and previous periods are recognised as a liability, inasmuch as they have not yet been paid. If the amount already paid, with respect to current and previous periods, is greater than the amount owed for these periods, the balance is recognised as an asset.

Recognition of financial assets and liabilities
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and liabilities

Financial assets
Financial assets are derecognised when:
- contractual rights to receive cash flows from the financial asset expired;
- rights to receive cash flows from the asset were retained but assumes a contractual obligation to pay those cash flows to a third party in full without material delay under a specific arrangement transferring substantially all risks and rewards;
- rights to receive cash flows from the asset were transferred;
- all the risks and rewards of the asset have been transferred substantially;
- control has not been retained.

When the Company has transferred its contractual rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Repossessed collateral
Repossessed collateral represents non-financial assets acquired by the Company in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included within the related account on the statement of financial position or other assets depending on their nature and the Company's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets. Inventories of repossessed assets are recorded at the lower of cost or net realisable value. There is no collateral pledged by the Company or collateral held by the Company that can be repledged.

Recognition of income and expenses
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income
Interest income is recognised pro rata in profit or loss based on the effective interest rates of the bonds, provided the income can be reliably measured.

Operating expenses
Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognised when they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

Interest expenses
Interest expenses are recognised pro rata in profit or loss based on the effective interest rates of the medium term notes, provided the expenses can be reliably measured.

Net gains or net losses
The net gains or losses are equal to the net amount received or paid from the sale or repurchase of the instrument from which (a) the par value and (b) the accrual of interests are deducted. These results which do not contain the accrual of interests are equal to the difference between the clean fair value and the par value.

Statement of cash flows
In accordance with IAS 7, cash flows are classified into cash flows from operating and financing activities. The main activity of the Company consists of lending the proceeds of issued notes to AXA Bank Belgium S.A./ N.V. This activity is considered to be an operating activity for the Company. Movements related to medium term notes and bonds granted to group companies are considered to be operating activities.

4 Financial assets at fair value through profit or loss

	2019	2018
	EUR 000	EUR 000
Bonds AXA Bank Belgium S.A./N.V.	1,070,150	1,165,910
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	70,701	65,452
Total financial assets at fair value through profit or loss	**1,140,851**	**1,231,362**

	2019	2018
	EUR 000	EUR 000
Carrying amounts of financial assets at fair value through profit or loss of those designated as such	368,188	406,070
Carrying amounts of financial assets mandatory valued at fair value through profit or loss	701,962	759,840
	1,070,150	**1,165,910**

Movement in these items were as follows:

	AXA Bank Belgium S.A./N.V.		
	Bonds	Interest receivable bonds	Total
	EUR 000	EUR 000	EUR 000
As at January 1, 2019	**1,165,910**	**65,452**	**1,231,362**
Bonds granted	50,000	0	50,000
Repayments	-152,813	-37,469	-190,282
Exchange rate differences	2,519	65	2,584
Fair value changes	4,534	0	4,534
Interest taken to profit and loss account	0	42,653	42,653
As at December 31, 2019	**1,070,150**	**70,701**	**1,140,851**

	AXA Bank Belgium S.A./N.V.		
	Bonds	Interest receivable bonds	Total
	EUR 000	EUR 000	EUR 000
As at January 1, 2018	**1,299,100**	**55,275**	**1,354,375**
Bonds granted	0	0	0
Repayments	-80,701	-18,447	-99,148
Exchange rate differences	-6,803	-114	-6,917
Fair value changes	-45,686	0	-45,686
Interest taken to profit and loss account	0	28,738	28,738
As at December 31, 2018	**1,165,910**	**65,452**	**1,231,362**

Contract maturity of financial assets at fair value through profit or loss:

	2019			
	<1 year	1-5 years	>5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds AXA Bank Belgium S.A./N.V.	173,390	599,325	297,435	1,070,150
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	35,657	34,673	371	70,701
Total financial assets at fair value through profit or loss	**209,047**	**633,998**	**297,806**	**1,140,851**

	2018			
	<1 year	1-5 years	>5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds AXA Bank Belgium S.A./N.V.	122,792	732,583	310,535	1,165,910
Interest receivable on bonds AXA Bank Belgium S.A./N.V.	11,045	49,785	4,622	65,452
Total financial assets at fair value through profit or loss	**133,837**	**782,368**	**315,157**	**1,231,362**

Part of the interest rates are fixed up to a maximum of 5.50% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins of 0.06% or 0.09% (2018: Part of the interest rates are fixed between 0.00% and 5.85% and part of the interest rates are variable and are equal to the medium term notes issued by the Company, increased with margins from 0.06%).

	2019	2018
	EUR 000	EUR 000
Change in fair value of the bonds attributable to changes in credit risk in the year	390	-13.466
Change in fair value of the bonds attributable to changes in credit risk cumulatieve per December 31	12,486	12,096

The bonds are not subordinated.

The carrying amount of the assets best represents the maximum exposure to credit risk.

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5 Taxation

The charge for taxation as provided in the statement of comprehensive income is based on the profit before tax, using the Dutch corporate tax rate. The applicable tax rate for the financial statements is 19% over a tax profit of EUR 200,000 and 25% over profits exceeding this amount (2018: 20% over a tax profit of EUR 200,000 and 25% over profits exceeding this amount). The effective tax rate is 9.3% (2018: 26.2%).

Taxes receivable or payable as presented in the statement of financial position:

	2019	2018
	EUR 000	EUR 000
Corporate income tax receivable	196	187
Total taxes receivable	**196**	**187**

	2019	2018
	EUR 000	EUR 000
Corporate income tax payable	0	0
Total taxes payable	**0**	**0**

The tax receivable recognised in the statement of financial position is the balance of the corporate income tax charge for the year, less preliminary assessments paid during the financial year. The corporate income tax as presented in the statement of comprehensive income:

	2019	2018
	EUR 000	EUR 000
Corporate income tax charge, current year	-112	-122
Adjustments in respect of previous years	66	-16
Total income taxes	**-46**	**-138**

	2019		2018	
	EUR 000	%	EUR 000	%
Profit before income taxes	496	100.0	526	100.0
Theoretical income tax at the applicable tax rate of 25% (2018: 25%), with a tax rate of 19% (2018: 20%) on the first bracket of EUR 200,000	112	22.6	122	23.2
Tax effect of the expenses not deductible for tax purposes and adjustments previous years	-66	-13.3	16	3.0
Total income tax expense	**46**	**9.3**	**138**	**26.2**

6 Cash and cash equivalents

	2019	2018
	EUR 000	EUR 000
Current accounts AXA Bank Belgium S.A./N.V.	2,881	2,424
Current accounts other banks	11	31
Total cash and cash equivalents	**2,892**	**2,455**

There are no restrictions on the availability of cash and cash equivalents. We refer to note 20 Financial Risk review regarding credit quality.

7 Issued share capital

	2019	2018
	EUR 000	EUR 000
3,897 ordinary shares with a par value of EUR 453.80	1,768	1,768

The Company's authorized capital amounts to EUR 4,000,000. Shares outstanding have not changed compared to prior year.
In consequence of the risk management framework, capital management of AXA Belgium Finance (NL) B.V., as well as all related decisions, are monitored within AXA Bank Belgium S.A./N.V. in close collaboration with the management of AXA Belgium Finance (NL) B.V.

8 Retained earnings

	2019	2018
	EUR 000	EUR 000
Balance at January 1	**1,135**	**747**
Result for the year	450	388
Dividends	0	0
Balance at December 31	**1,585**	**1,135**

The net profit for the year ended December 31, 2019 amounts to EUR 450 thousand.

9 Financial liabilities at fair value through profit or loss

	2019	2018
	EUR 000	EUR 000
Medium term notes	1,070,150	1,165,910
Interest payable medium term notes	70,388	65,119
Total financial liabilities at fair value through profit or loss	**1,140,538**	**1,231,029**

As the financial liabilities are not to be classified as held for trading these are designated at fair value through profit or loss.

	2019	2018
	EUR 000	EUR 000
Carrying amounts of financial liabilities designated at fair value through profit or loss	1,070,150	1,165,910

Contract maturity of financial liabilities at fair value through profit or loss:

	2019			
	<1 year	1-5 years	>5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Medium term notes	173,390	599,325	297,435	1,070,150
Interest payable medium term notes	35,509	34,537	342	70,388
Total financial liabilities at fair value through profit or loss	**208,899**	**633,862**	**297,777**	**1,140,538**

	2018			
	<1 year	1-5 years	>5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Medium term notes	122,792	732,583	310,535	1,165,910
Interest payable medium term notes	10,913	49,647	4,559	65,119
Total financial liabilities at fair value through profit or loss	**133,705**	**782,230**	**315,094**	**1,231,029**

Issued medium term notes are unconditionally and irrevocably guaranteed by the parent company AXA Bank Belgium S.A./N.V. Part of the interest rates for notes with maturity exceeding one year are fixed up to a maximum of 5.50% and part of the interest rates of pay-offs are variable as being conditional (2018: partly fixed between 0.00% and 5.75% and partly variable).

In 2019 the applicable interest rate for notes maturing within one year is either fixed (up to a maximum of 5.50%) or depending on the evolution of indices leading hence to conditional coupons (2018: interest rate either fixed (5.25% in NZD) or depending on the Eurostoxx50).

	2019	2018
	EUR 000	EUR 000
Change in fair value of the medium term notes attributable to changes in credit risk in the year	390	-13,466
Change in fair value of the medium term notes attributable to changes in credit risk cumulative per December 31	12,486	12,096

The contractual repayment amount at maturity is EUR 999,214 thousand (2018: EUR 1,099,507 thousand).

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10 Other liabilities and accruals

	2019	2018
	EUR 000	EUR 000
Trade creditors	0	3
Taxes payable	0	2
Other payables and accruals	48	67
Total other liabilities and accruals	**48**	**72**

11 Net interest income

	2019	2018
	EUR 000	EUR 000
Interest income on:		
Bonds AXA Bank Belgium S.A./N.V.	42,653	28,739
Other	4	3
Total interest income	**42,657**	**28,742**
Interest expense on:		
Medium term notes	-41,943	-27,980
Total interest expense	**-41,943**	**-27,980**
Net interest income	**714**	**762**

12 Net gains/losses on financial assets and liabilities at fair value through profit or loss

The fair value gains/losses on bonds and receivables are mitigated by the fair value gains/losses on medium term notes.

	2019	2018
	EUR 000	EUR 000
Fair value gains/losses on bonds and receivables	4,534	-45,686
Fair value gains/losses on medium term notes	-4,534	45,686
	0	0

Net gains/losses on financial assets at fair value through profit or loss of those designated as such at December 31	-499	410
Net gains/losses on mandatory financial assets at fair value through profit or loss at December 31	-2,697	3,701
Net gains/losses on financial liabilities at fair value through profit or loss at December 31	3,196	-4,111
	0	0

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13 Foreign exchange gains / losses

Foreign exchange gains of EUR 6 thousand (2018: losses of EUR 6 thousand) are on a net basis and include gains and losses arising from foreign currency transactions and the effects of translation of foreign currency assets and liabilities.

14 Operating expenses

The operating expenses include directors' remunerations, travel expenses and professional service fees (investment management, accounting, audit, tax, legal).

15 Employee benefit expenses

	2019	2018
	EUR 000	EUR 000
Salaries	29	27

16 Number of employees

The Company has only one part time director as own employee (2018: one part time).

17 Audit fees

	2019	2018
	EUR 000	EUR 000
Audit fees financial statements	55	66

The amounts disclosed are the amounts recognised as an expense during the year.

18 Transactions with key management

The directors' remunerations are recorded as general and administrative expenses and amount to EUR 29 thousand (2018: EUR 27 thousand), and include only short-term remunerations of current members of the Management Board. No other benefits, like pension, medical, termination share-based payment transactions, company cars or loans, have been granted.

The amounts disclosed are the amounts recognised as an expense during the year.

19 Fair value of financial assets and liabilities at fair value through profit or loss

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

Fair values of certain financial assets and liabilities carried at cost, including cash and short-term loans receivable and payable - are considered to approximate their respective carrying values due to their short-term nature.

Fair value hierarchy
IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These inputs result in the following fair value hierarchy:

- Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.
- Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.
- Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Valuation techniques
The fair value of the financial instruments is determined using available market information and estimating methods. The valuation methods have not been changed compared to previous year. The following methods and assumptions have been used to estimate the fair value of the financial instruments:

- Bonds; the fair value of the bonds to the parent company is estimated by using the discounted value of the future cash flows at market conditions;
- Medium term notes; the fair value of the medium term notes is estimated by using the discounted value of the future cash flows at market conditions.

The determination of the existence of an active market is most often straight forward with market quote information readily available to the public and or investment teams. There is no bright line or minimal threshold of activity that represents "regularly occurring market transactions", thus the level of actual transactions should be evaluated with consideration of frequency and volume. However, a low level of volume of transactions still represents a price if determined in a normal business environment on an arm's length basis and the transaction amounts are important indicators of fair value.

If the market for a specific instrument is not active or market prices are not or not regularly available, rating techniques are used based on the updated value of future cash flows and the price determination of option models. These rating techniques make use of market data such as interest curves, dividend yield, index levels and volatility data. In some cases we make use of external prices provided by a reliable intermediary. These prices are then subject to an internal validation or we value these instruments by means of internal rating techniques.

The use of observable input parameters leads to a level 2 fair value hierarchy whereas the use of non-observable inputs leads to a level 3 fair value hierarchy unless their influence is not significant. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the instrument. As the parameters used may vary from one instrument to another, we determine the observability and the significance of potentially non-observable parameters by class of instrument. We maintain a decision table justifying, based on these criteria, the level of fair value attributed to each class of instrument. A dedicated committee ensures a regular revision, at least once a year, of this decision table to ensure its accuracy and comprehensiveness. The dedicated committee is, at least, composed of the managers of the accounting policies and the middle-office representing the business. If the revision would lead to a transfer of an instrument between levels of the fair value hierarchy, the transfer shall occur at the end of the reporting period. Transfers between levels may occur when an instrument fulfils the criteria defined, which are market and product dependent.

Fair value hierarchy as at December 31, 2019

	level 1	level 2	level 3	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets				
Financial assets at fair value through profit or loss	0	671,954	468,897	1,140,851
Financial liabilities				
Financial liabilities at fair value through profit or loss	0	671,770	468,768	1,140,538

Fair value hierarchy as at December 31, 2018

	level 1	level 2	level 3	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets				
Financial assets at fair value through profit or loss	0	726,768	504,594	1,231,362
Financial liabilities				
Financial liabilities at fair value through profit or loss	0	726,590	504,439	1,231,029

The fair values of other financial assets and liabilities are approximated by their carrying amounts. During 2019 no reclassification occurred from level 3 fair value hierarchy to level 2 fair value hierarchy.

Reconciliation of fair value measurement of level 3 assets and liabilities:

	Assets Bonds AXA Bank Belgium S.A./N.V.	**Liabilities** Medium term notes
	EUR 000	EUR 000
As at January 1, 2018	**541,120**	**540,961**
New issues medium term notes / bonds	0	0
Unwindings medium term notes / bonds	-12,338	-12,338
FX-impact purchase price	-260	-260
Net unrealized gains and losses recognised in profit or loss	-24,129	-24,129
Interest recognised in profit or loss medium term notes / bonds	201	205
As at December 31, 2018	**504,594**	**504,439**
New issues medium term notes / bonds	0	0
Unwindings medium term notes / bonds	-64,645	-64,645
FX-impact purchase price	203	203
Net unrealized gains and losses recognised in profit or loss	28,574	28,574
Interest recognised in profit or loss medium term notes / bonds	171	197
As at December 31, 2019	**468,897**	**468,768**

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The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2019 and 2018 are as shown below.

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
Financial assets:				
Bonds and receivables	DCF	Volatilities based on historical data*	+10% -10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 13.5 million (2018: EUR 16.2 million)
Financial liabilities				
Medium term notes	DCF	Volatilities based on historical data*	+10% -10%	10% increase (decrease) in the growth rate would result in an increase (decrease) in fair value by EUR 13.5 million (2018: EUR 16.2 million)

* In most cases observable option prices are used as input parameters in the valuation process of the medium term notes pay-off. However in some cases (e.g. performance linked to fund prices) no observable option prices are available and, in corollary, no volatilities. In that cases we use historical volatility of the performance.

20 Financial risk review

General
The main activity of the Company consists of lending the proceeds of issued notes to AXA Bank Belgium S.A./N.V., where a maximum correlation between the conditions of the notes and those of the bonds to AXA Bank Belgium S.A./N.V. is pursued, thus preventing the existence of substantial transformation risks.

As a finance company, the Company could face a number of risks including, but not limited to operational risk, market risk, credit risk, foreign currency risk, and liquidity risk. In assessing the risk profile of the Company it is important to note that all notes issued by the Company are unconditionally and irrevocably guaranteed by AXA Bank Belgium S.A./N.V.

Generally, the risks are based on contingencies which may or may not occur and neither the Company, nor the Guarantor, is in a position to express a view on the likelihood of any such contingency occurring.

Operational risk
Is the risk of loss arising from the inadequacy or failure of procedures, individuals or internal systems, or even external events (such as, but not limited to natural disasters and fires). It includes risk relating to information systems, litigation risk and reputation risk. The Company cannot provide assurances that such failures will not occur or, if they do occur that they will be adequately addressed. Operational, information and security risks are, however, actively managed through a common AXA Bank Belgium framework that identifies measures and monitors the risks and its mitigating controls in the businesses of AXA Bank Belgium S.A./N.V. and its subsidiaries.

Market risk
Refers to the risk of loss relating to fluctuations in market prices and interest rates, their interactions and their level of volatility. Due to the nature of its activity and the nature of the associated assets and liabilities, the Company is prevented from assuming, and therefore has not assumed, significant exposure to market risk.

Credit risk
As a finance company, the Company is exposed to the creditworthiness of its counterparties where the Company may suffer losses related to the inability of its debtors or counterparties to meet their financial obligations. As all the proceeds of the notes are lent to the Guarantor, the significant credit risk is limited to the Guarantor. Refer to Note 4 for the amount of maximum exposure to loss from credit risk.

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

- It maintains a prudent approach to market risk, focusing its treasury and financial market activities on the risk management of liquidity, interest rates and Forex positions.
- Exposures to interest rate derivatives taken to provide hedging services to AXA insurance companies are mitigated by strict netting and collateral management policies.
- The Company also focuses its credit exposures on Basel III liquidity eligible assets.

Despite the current context on financial markets, AXA Bank Belgium's ratings at December 31, 2019 are:

- Standard & Poor's: A-/A-2 with Negative watch;
- Moody's: A2/P-1 with Negative watch.

Foreign currency risk
The Company has issued Notes in Australian dollar, Norwegian crown and New Zealand dollar. As all the proceeds of the Notes are lent to the Guarantor and these bonds are in the same currencies, there is no significant net foreign currency risk exposure. Other than these issues, the Company is not active in different currencies.

Foreign currencies as at December 31, 2019

	AUD	NZD	NOK	EUR	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Bonds	56,803	82,543	66,184	864,620	1,070,150
Interest receivable on bonds	1,056	1,041	798	67,806	70,701
Taxes receivable	0	0	0	196	196
Other receivables	0	0	0	0	0
Cash and cash equivalents	109	164	100	2,519	2,892
Total financial assets	**57,968**	**83,748**	**67,082**	**935,141**	**1,143,939**
Medium term notes	56,803	82,543	66,184	864,620	1,070,150
Interest payable on medium term notes	1,044	1,025	779	67,540	70,388
Taxes payable	0	0	0	0	0
Other liabilities and accruals	0	0	0	48	48
Total financial liabilities	**57,847**	**83,568**	**66,963**	**932,208**	**1,140,586**

Foreign currencies as at December 31, 2018

	AUD	NZD	NOK	EUR	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Bonds	57,029	109,376	65,701	933,804	1,165,910
Interest receivable on bonds	998	1,405	653	62,396	65,452
Taxes receivable	0	0	0	187	187
Other receivables	0	0	0	0	0
Cash and cash equivalents	78	96	61	2,220	2,455
Total financial assets	**58,105**	**110,877**	**66,415**	**998,607**	**1,234,004**
Medium term notes	57,029	109,376	65,701	933,804	1,165,910
Interest payable on medium term notes	986	1,385	634	62,114	65,119
Taxes payable	0	0	0	1	1
Other liabilities and accruals	0	0	0	70	70
Total financial liabilities	**58,015**	**110,761**	**66,335**	**995,989**	**1,231,100**

Liquidity risk
Is the risk that the Company cannot meet its financial liabilities when they fall due, at reasonable costs and in a timely manner. We refer to the Guarantee by AXA Bank Belgium S.A./N.V. that unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the issued notes as well as of any additional amounts which may be required to be paid by the Company.

Year ended as at December 31, 2019 (par values including guaranteed coupon)
The cash flows presented are not discounted.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets						
Financial assets at fair value through profit or loss	0	0	160,291	614,756	293,897	1,068,944
Financial liabilities						
Financial liabilities at fair value through profit or loss	0	0	160,291	614,756	293,897	1,068,944
Maturity/liquidity gap	0	0	0	0	0	0

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Year ended as at December 31, 2018 (par values including guaranteed coupon)
The cash flows presented are not discounted.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets						
Financial assets at fair value through profit or loss	0	27,254	92,109	743,107	326,324	1,188,794
Financial liabilities						
Financial liabilities at fair value through profit or loss	0	27,254	92,109	743,107	326,324	1,188,794
Maturity/liquidity gap	0	0	0	0	0	0

Offsetting financial assets and financial liabilities
There are no netting arrangements that meet the criteria for offsetting in the statement of financial position. In addition, the Company and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Bonds receivable from the parent company and notes issued in order to fund the bonds to the parent company are fully guaranteed by the parent company.

21 Commitments and contingencies

No commitments and contingencies.

22 Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Key management of the Company (members of the Management board) is also considered to be a related party. Related party transactions are at an arms-length basis. Related party transactions between the Company and its related party AXA Bank Belgium S.A./N.V. were as follows:

- Bonds and receivables from participants, refer to Note 4;
- Cash and cash equivalents, refer to Note 6;
- Interest income and similar income, refer to Note 11;
- Guarantee by AXA Bank Belgium S.A./N.V. that unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the issued notes as well as of any additional amounts which may be required to be paid by the Company;
- AXA Investment Managers fee charges for provided services regarding bonds and notes issuance of EUR 2 thousand (2018: EUR 2 thousand);
- Transactions with key management, refer to Note 18.

23 Profit appropriation according to the Articles of Association

Profit is appropriated in accordance with Article 14 of the Articles of Association, which states that the profit is at the disposal of the General Meeting of Shareholders.

24 Appropriation of profit 2019

The Management Board proposes to add the profit of EUR 450,000 to the retained earnings.

25 Subsequent events

After the year-end closing of December 31, 2019, Europe was hit hard by the COVID-19 epidemic. The health measures that have been implemented do not currently affect the operational functioning and activities of the Company. Although the impact on the economy cannot yet be determined, this pandemic has no impact on the accounts as at December 31, 2019 and we do not expect any impact on the Company's activities. We closely follow the evolution of the pandemic in relation to the activities of the Company.

With regard to future expectations, it is currently not yet possible to predict or quantify the impact for the coming weeks or months for AXA Belgian Finance (NL) B.V. or for its parent company AXA Bank Belgium. Despite a likely significant impact on the local and global economy, it is currently not possible to assess how deeply and for how long this crisis will affect us, given that national authorities around the world are constantly updating or issuing measures to limit the transmission and effects of Covid-19. However, due in part to the structuring of the Company's activities and the credit rating of AXA Bank Belgium, there is currently no indication that the continuity of the Company's activities is threatened.

Amsterdam, April 20, 2020

Aernout Veerman, Chairman of the Management Board

Grete Schaekers, Member of the Management Board

Other information

Statutory rules concerning appropriation of profit

In accordance with article 14 of the Articles of Association the profit is at the disposal of the General Meeting of Shareholders.

Independent auditor's report

The independent auditor's report is included on the next pages.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AXA Belgium Finance (NL) B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2019 of AXA Belgium Finance (NL) B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of AXA Belgium Finance (NL) B.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
1. the statement of financial position as at 31 December 2019;
2. the following statements for 2019: the statements of comprehensive income, changes in equity and cash flows; and
3. the notes, comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of AXA Belgium Finance (NL) B.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation regarding independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER: EFFECT OF THE CORONA CRISIS

We draw attention to the section "Subsequent events" in the notes to the financial statements on page 32 where management describes its assessment of the effects of the corona crisis on AXA Belgium Finance (NL) B.V., its dependency on AXA Bank Belgium

S.A./N.V. and the high level of uncertainty regarding the implications of the corona crisis and further developments going forward. Our opinion is not modified in respect of this matter.

CONTEXT OF OUR AUDIT APPROACH

The company is financing companies belonging to the AXA group by granting bonds to AXA Bank Belgium S.A./N.V. The principal activity of the company is to raise funds through the issue of notes. The proceeds of notes issued are lent to AXA Bank Belgium S.A./N.V. The notes issued are unconditionally and irrevocably guaranteed by AXA Bank Belgium S.A./N.V., as disclosed in the financial statements.

We have performed detailed audit work addressing the existence and valuation of bonds granted to AXA Bank Belgium S.A./N.V. and notes issued to third parties, through reconciling on a sample basis bonds granted and notes issued with the underlying agreements and cash flows as well as confirmation procedures.

For the design and operational effectiveness of the internal control environment relevant to the treasury system in which bonds granted to AXA Bank Belgium S.A./N.V. and notes issued to third parties are accounted for, we relied on the audit procedures performed by PwC Belgium, being the independent auditor of AXA Bank Belgium S.A./N.V. as well as the auditor that issued an assurance report to the ISAE 3402 Type 2 report with regard to the Trade Execution and Position Management Procedures of AXA Bank Belgium S.A./N.V.

In addition, we made use of specific procedures performed at our request by the independent auditor of AXA Bank Belgium S.A./N.V. with regard to the valuation of bonds granted and notes issued, both stated at fair value. We planned audit procedures to ensure sufficient involvement in the nature, timing and extent of the work performed by them. These procedures include issuing instructions to those auditors, reviewing reports prepared by them and reviewing their files.

MATERIALITY

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 5.7 million. We determined materiality based on our analysis of the information needs of the stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. The materiality is based on 0.5% of total assets. We used total assets given the company's main activity is intra-group lending. The company facilitates the AXA Bank Belgium S.A./N.V. in its financing activities for which it receives a margin.

We agreed with the management board that misstatements in excess of EUR 172,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the management board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of bonds granted to AXA Bank Belgium S.A./N.V. and notes issued to third parties

We consider the fair value of bonds granted to AXA Bank Belgium S.A./N.V. and notes issued to third parties, as disclosed in note 4 and note 9 to the financial statements for a total amount of EUR 1,070,150,000 as a key audit matter. This is due to the size and nature of the financial instruments and given that fair value changes may have a material impact on the profit or loss and financial position of the company.

Our audit procedures regarding the valuation of the financial assets and financial liabilities include, amongst others, the following:

- obtaining an understanding of the valuation methodology and the processes and controls in respect of the valuation of the financial assets and financial liabilities measured at fair value, which are designed to validate the prices used by the trading desks;
- testing the company's controls surrounding the treasury management;
- testing data input to calculate the fair value and challenging the assumptions of management used in determining the fair value of bonds and notes;
- assessment of the financial situation of AXA Bank Belgium S.A./N.V. to which bonds have been granted and by which the notes issued have been irrecoverably guaranteed; and
- review of the adequacy of the disclosures relating to the valuation of financial assets and financial liabilities for compliance with the disclosure requirements included in EU-IFRS.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management board report; and
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

We were appointed as auditor of AXA Belgium Finance (NL) B.V. as of the audit for the year 2017.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT BOARD FOR THE FINANCIAL STATEMENTS

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect, we also submit an additional report to management in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the management board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the management board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 20 April 2020

MAZARS ACCOUNTANTS N.V.

Original has been signed by C.A. Harteveld RA