



## **AXA BELGIUM FINANCE (NL) B.V.**

(Incorporated with limited liability under the laws of the Netherlands)

**Issuer**

## **AXA BANK EUROPE SA**

(Incorporated with limited liability under the laws of Belgium)

**Issuer and Guarantor**

## **NOTES ISSUANCE PROGRAMME**

EUR 2,000,000,000

Under the Notes Issuance Programme (the "Programme") described in this Base Prospectus, AXA BANK EUROPE SA (also named AXA BANK SA/AXA BANK NV, or "AXA BANK") and AXA BELGIUM FINANCE (NL) B.V. ("ABF(NL)"), together with AXA BANK the "Issuers" and each, individually, an "Issuer") may from time to time issue notes (in the case of notes issued by AXA BANK referred to as the "AXA BANK Notes", in the case of notes issued by ABF(NL) as the "ABF(NL) Notes", together referred to as the "Notes" and individually as a "Note"), which may be linked to various underlyings (the "Underlying"), that rank as senior obligations of the Issuer (the "Senior Notes") or that rank as senior subordinated obligations to the Issuer (the "Senior Subordinated Notes"). Senior Notes issued by ABF(NL) will be guaranteed by AXA BANK (the "Guarantor") pursuant to a senior guarantee (the "Senior Guarantee"). Senior Subordinated Notes issued by ABF(NL) will be guaranteed by AXA BANK pursuant to a senior subordinated guarantee (the "Senior Subordinated Guarantee").

Each Tranche of Notes will be documented by final terms (the "Final Terms").

The Base Prospectus should be read and construed in conjunction with each relevant Final Terms. The relevant Final Terms and this Base Prospectus together constitute the Prospectus for each Tranche.

The Notes shall be Debt Securities or Derivatives Securities in the meaning of the Regulation (EC) No 809/2004 as amended by the Commission delegated regulation (EU) No 486/2012. Debt Securities are debt instruments for which the Issuer commits itself to redeem the principal invested at maturity. Derivatives Securities are debt instruments for which the Noteholders could lose all or substantial portion of the principal invested.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in the Base Prospectus, including in particular the risk factors as described below in Section 5. Risk Factors.

This Base Prospectus is dated 9 September 2014 and is valid for one year from that date, provided that the Base Prospectus may be updated by any supplements in accordance with articles 34 and 35 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This Base Prospectus replaces and supersedes the Base Prospectus of ABF(NL) and AXA BANK dated 10 September 2013.

The Base Prospectus, including the summary, and the Final Terms of each Tranche are available on the internet site [www.axa.bank.eu](http://www.axa.bank.eu) (under the heading Financial Information) and a copy can be obtained free of charge in the offices of AXA BANK.

The Programme provides that Notes may be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the "Market"). If Issuer decides to seek such listing, this will be specified in the relevant Final Terms and the relevant Issuer will then make an application to the Luxembourg Stock Exchange for such listing. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed and admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instalments.

This Base Prospectus was approved by the Financial Services and Markets Authority (FSMA) on 9 September 2014 in accordance with article 23 of the Belgian Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market. This approval does not entail any appraisal of the appropriateness or the merits of any issue under the programme nor of the situation of the Issuers or the Guarantor.

The Issuers may elect to offer the Notes to the public in Belgium as well as in any other jurisdiction, provided they have fulfilled all relevant formalities in that respect. To date, the Issuers have requested the FSMA to notify this Base Prospectus to the relevant competent authorities of the Grand Duchy of Luxembourg, France, Spain, Portugal and Germany where the Notes may be offered to the public if the Issuers elect so in respect of a specific Tranche.

**BANQUE INTERNATIONALE à LUXEMBOURG SA**

**Fiscal Agent and Principal Paying Agent**

**AXA BANK EUROPE SA**

**Paying Agent and Calculation Agent**

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## 2 CHOICES MADE BY THE ISSUER

The Issuers have chosen according to article 5(4) of Directive 2003/71/EC to issue notes under a base prospectus. The specific terms of each Tranche will be set forth in the applicable Final Terms. In addition, the Issuers choose as their home Member State the Kingdom of Belgium.

The Issuers have freely defined the order in the presentation of the required items included in the schedules and building blocks of the Commission Regulation (EC) n°809/2004 of 29 April 2004 implementing Directive 2003/71/EC and Delegated Regulation (EC) n° 486/2012 amending Regulation (EC) 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements (herein referred to as "Regulation (EC) 809/2004 as amended by Delegated Regulation (EC) 486/2012") according to which this Base Prospectus is drawn up. The chosen presentation is a consequence of the combination of Annex IV, Annex V, Annex VI, Annex XI and Annex XII of Regulation (EC) 809/2004, and Annex XX, Annex XXI and Annex XXII of Regulation (EC) 486/2012. In order to enable the Noteholders to identify in the presentation below the corresponding provisions of Regulation (EC) 809/2004, cross-references will be made to the relevant annexes of Regulation (EC) 809/2004 and their subsections. Finally, any items which do not require, in their absence, an appropriate negative statement according to Regulation (EC) 809/2004, are not included in the presentation when the Issuers so determine.

## 3 RESPONSIBILITY STATEMENT

### *(Annex IV.1, V.1, and XI.1 of Regulation (EC) 809/2004)*

ABF(NL) as Issuer and AXA BANK as Issuer and Guarantor accept responsibility for the information given in the Base Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

In addition, in the context of any Public Offer, the Issuer also accepts responsibility as set forth above for the content of this Base Prospectus, in relation to any person (an "Investor") to whom any offer of Notes is made by any financial intermediary to whom the Issuer has given its consent to use this Base Prospectus in connection with Public Offers of the Notes, subject to the conditions set out below (an "Authorised Offeror"). However, the Issuer does not have any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

Pursuant to the paragraph above, and if so specified in the Final Terms in respect of any Tranche of Notes, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the relevant Notes by each Authorised Offeror on the following basis:

- (a) such consent is given only for the use of this Base Prospectus, as supplemented from time to time, in relation to Public Offers of Notes occurring within 12 months from the date of this Base Prospectus;
- (b) such consent relates only to the offer period of the applicable Public Offer (the "Offer Period");
- (c) such consent only relates to Public Offers made in Belgium;
- (d) the relevant Authorised Offeror is authorised to make Public Offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (the "MiFID Directive") provided, however, that, if any Authorised Offeror ceases to be so authorised, then the consent of the Issuer shall be given only for so long as each Authorised Offeror is so authorised to make Public Offers under the MiFID Directive;
- (e) any other conditions relating to the relevant Public Offer (as specified in the relevant Final Terms) are complied with.

Details of the Offer Period, and any other conditions relating to the Public Offer and the names of the Authorised Offeror(s) will be specified in the Final Terms relating to a Tranche of Notes.

The Issuer may give its consent to additional financial intermediaries after the date of the relevant Final Terms.

Any Authorised Offeror wishing to use this Base Prospectus in connection with a Public Offer as set out above, is required, for the duration of the relevant Offer Period, to state on its website that it uses this Base Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.

The Issuers have not authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with its offer of any Notes unless (i) the offer is

made by an Authorised Offeror as described above or (ii) the offer is otherwise made in circumstances falling within an exemption from the requirement to publish a prospectus under the prospectus Directive. Any such unauthorized offers are not made on behalf of the Issuers and the Issuers have no responsibility or liability for the actions of any person making such offers.

An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation and settlement arrangements (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuer or any of the Dealers has any responsibility or liability for such information.

## 4 SUMMARY

### Introduction and warnings

A.1 **Warning: This Summary should be read as introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a Court in an EEA State, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.**

A.2 The Issuer authorises that this Base Prospectus, as supplemented from time to time, may be used for the purposes of a public offer within 12 months from the date of this Base Prospectus in Belgium, by any credit institution authorised pursuant to Directive 2006/48/EC or any investment firm authorised pursuant to Directive 2004/39/EC to conduct such offers (an Authorised Offeror).

**Each offer and each sale of the Notes by an Authorised Offeror will be made in accordance with the terms and conditions agreed between such Authorised Offeror and the investor, including in relation to the price, the allocation and the costs and/or taxes to be borne by an investor. The Issuer is not a party to any arrangements or terms and conditions in connection with the offer and sale of the Notes between the Authorised Offeror and an investor. This Base Prospectus does not contain the terms and conditions of any Authorised Offeror.**

### Issuers and guarantor

[Issuer: AXA BELGIUM FINANCE (NL) B.V.]

*Applicable if the Notes are issued by AXA BELGIUM FINANCE (NL) B.V.*

B.1 **Legal and commercial name of the Issuer**

Legal name: AXA BELGIUM FINANCE (NL) B.V.

Commercial name: AXA BELGIUM FINANCE (NL) B.V. ("ABF(NL)")

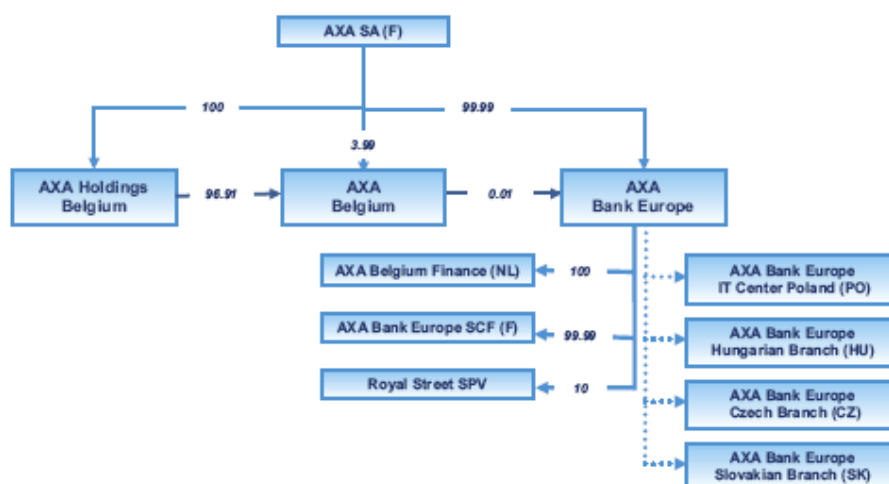
B.2 **Domicile, legal form, legislation and country of incorporation**

ABF(NL) was incorporated as a "besloten vennootschap" for an unlimited duration under the laws of the Netherlands on 30 October 1990 under the name of Ippa Finance Company B.V. On 21 March 2000 the name was changed to AXA Belgium Finance (NL) B.V. Its registered office is in Amsterdam and its business address is at 4835 NA Breda, Ginnekenweg 213. (The Netherlands).

B.4b **Trends affecting the Issuer and its industry**

See B.4b for AXA BANK EUROPE NV

B.5 **Position of the Issuer in its group**



*(the Slovakian and Czech branched ceased the operations in 2013)*

ABF(NL) is a wholly owned subsidiary of AXA BANK EUROPE and is part of the international group AXA ("AXA"). There is no arrangement that may result in a change of control of ABF(NL).

ABF(NL) acts as a finance company. ABF(NL) issues notes in the market, whereby proceeds of the issued notes are fully lent on to AXA BANK EUROPE or other entities of the AXA Group.

There have been no material contracts that are not entered into in the ordinary course of ABF(NL)'s business which could result in any member of the AXA group being under an entitlement that is material to ABF(NL)'s ability to meet its obligations to Noteholders.

**B.9 Profit forecast or estimate**

AXA BELGIUM FINANCE does not disclose forecasts or estimations of its future results.

**B.10 Qualifications in the audit report on the historical financial information**

The relevant auditor's report with respect to the audited annual accounts of ABF(NL) for the years ended 31 December 2012 and 31 December 2013 were delivered without any reservations.

**B.12 Selected historical key financial information**

<b>AXA BELGIUM FINANCE (NL) BV</b>		
Summary per 31/12/2013 (in '000 EUR)		
	<b>31/12/2013</b>	<b>31/12/2012</b>
<b>Fixed Assets</b>	<b>1,231,378</b>	<b>1,014,692</b>
<b>Current Assets</b>	<b>30,893</b>	<b>17,302</b>
<b>Shareholders Equity</b>	<b>3,922</b>	<b>3,161</b>
<b>Long Term Liabilities</b>	<b>1,231,184</b>	<b>1,014,623</b>
<b>Current Liabilities</b>	<b>27,165</b>	<b>14,210</b>
<b>Profit</b>	<b>761</b>	<b>432</b>



Interim key figures for the six months ended on June 30th, 2014:

<b>Balance sheet (in'000EUR)</b>	<b>30/06/2014</b>	<b>31/12/2013</b>
<i>Fixed Assets</i>	1.388.049	1.231.378
<i>Current Assets</i>	29.423	30.893
<i>Shareholders' Equity</i>	4.260	3.922
<i>Long Term Liabilities</i>	1.378.703	1.231.184
<i>Current Liabilities</i>	25.509	27.165
	<b>30/06/2014</b>	<b>31/12/2013</b>
<b>Profit</b>	438	544

#### **Material adverse change in the prospects**

There has been no material adverse change in the prospects of ABF(NL) since 31 December 2013.

#### **Significant changes in the financial or trading position**

There has been no material adverse change in the financial or trading position of ABF(NL) since 31 December 2013.

#### **B.13 Recent events relevant to the evaluation of the Issuer's solvency**

ABF(NL) has made no investments since the date of the last published financial statements, and no principal future investments are planned. In addition, there has been no material adverse change in the prospects of ABF (NL) since 31 December 2013.

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABF (NL) is aware, during the last 12 months, which may have, or have had in the recent past, significant effects on ABF (NL)'s financial position or profitability.

#### **B.14 Dependence upon other entities within the group**

See B.5

#### **B.15 Principal activities**

ABF(NL) acts as a finance company. ABF(NL) issues notes in the market, whereby the proceeds of the issued notes are fully on-lent to AXA BANK or other entities of the AXA Group.

#### **B.16 Direct or indirect control over the Issuer**

ABF(NL) is fully owned and controlled by AXA BANK EUROPE

#### **B.17 Credit ratings assigned to the Issuer or its debt securities**

Not applicable

#### **B.18 Nature and scope of the guarantees**

Notes issued by ABF(NL) are guaranteed by AXA BANK.

The guarantee can be 'Senior' (for 'Senior Notes') or can be 'Senior Subordinated' (for 'Senior Subordinated Notes'):

- Under the Senior Guarantee, the obligations of the AXA BANK will have the same priority as the other obligations of AXA BANK belonging to the same category (i.e. direct, unsecured, unconditional and unsubordinated obligations). This category (the 'ordinary creditors') has however a lower priority than the 'privileged creditors' (such as ONSS, State, Employees, etc.)
- Under the Subordinated Guarantee, the obligations of the AXA BANK will have the same priority as the other obligations belonging to the same category (i.e. direct, unsecured, unconditional and senior subordinated obligations). This category has a lower priority than the 'privileged creditors' and 'ordinary creditors', but a higher priority than junior subordinated creditors or stakeholders.

#### **B.19 Information about the guarantor**

See below information about AXA BANK EUROPE SA

**[Issuer] Applicable if the Notes are issued by AXA BANK EUROPE SA**  
**or [Guarantor] Applicable if the Notes are issued by AXA BELGIUM FINANCE (NL) B.V.:**  
**AXA BANK EUROPE SA**

**B.1 Legal and commercial name of the [Issuer] or [Guarantor]**

Legal name: AXA BANK EUROPE SA

Commercial name: AXA BANK or AXA BANQUE

**B.2 Domicile, legal form, legislation and country of incorporation**

AXA BANK EUROPE SA (“AXA BANK”) is a “naamloze vennootschap/société anonyme” of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0404.476.835. Its registered office is at 1170 Brussels, boulevard du Souverain 25, Belgium.

**B.4b Trends affecting the [Issuer] or [Guarantor] and its industry**

*1. Uncertain economic conditions*

AXA BANK’S business activities are dependent on the level of banking, finance and financial services required by its customers. Also, the market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other countries. The profitability of the bank’s businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic trading market conditions and/or related factors, including governmental policies and initiatives.

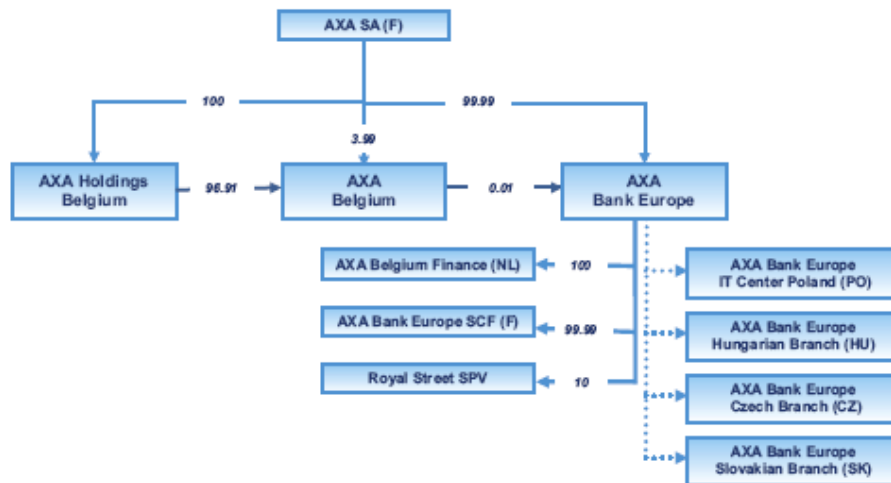
*2. Global financial crisis and Eurozone debt crisis*

The global financial system has suffered considerable turbulence and uncertainty in recent years and the outlook for the global economy over the near to medium term remains challenging. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which AXA BANK operates.

*3. Increased and changing regulation*

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in Europe have already provided additional capital and funding requirements and or may in the future be introducing a significantly more restrictive regulatory environment.

**B.5 Position of the [Issuer] or [Guarantor] in its group**



(the Slovakian and Czech branched ceased the operations in 2013)

AXA BANK EUROPE SA is a member of the AXA Group. AXA Group is an important global player whose ambition is to attain leadership in its core Financial Protection business. Financial Protection involves offering its customers - individuals as well as small, mid-size and large businesses - a wide range of products and services that meet their insurance, protection, savings, retirement and financial planning needs throughout their lives.

AXA has a retail banking activity as part of the AXA Bank Europe structure. This activity is fully integrated within the group as it is a key element for the life & savings business.

**B.9 Profit forecast or estimate**

AXA BANK EUROPE does not disclose forecasts on its future results.

**B.10 Qualifications in the audit report on the historical financial information**

The relevant auditor's report with respect to the audited annual accounts of AXA BANK for the years ended 31 December 2012 and 31 December 2013 were delivered without any reservations.

**B.12 Selected historical key financial information**

<b>AXA BANK EUROPE NV</b>		
Summary per 31/12/2013 (in '000 EUR)		
	<b>31/12/2013</b>	<b>31/12/2012</b>
<b>Assets</b>	36,885,750	39,220,095
<b>Equity</b>	796,882	816,251
<b>Liabilities</b>	38,403,844	36,088,869
<b>Profit&amp;Loss</b>	- 12,223	- 23,377

**Material adverse change in the prospects**

There has been no material adverse change in the prospects of AXA BANK since 31 December 2013.

**Significant changes in the financial or trading position**

There has been no material adverse change in the financial or trading position of AXA BANK since 31 December 2013

**B.13 Recent events relevant to the evaluation of the Guarantor's solvency**

AXA BANK has made no investments since the date of the last published financial statements, and no principal future investments are planned. In addition, there has been no material adverse change in the prospects of AXA BANK since 31 December 2013.

In March 2013 AXA Bank Europe decided to cease operations of the Czech and Slovakian branch in the course of the 2nd half-year 2013.

In 2013, AXA Bank Europe has been indicted in connection with credits marketed to French property professionals in the '80s by Anhyp. AXA BANK is contesting the legitimacy and is currently waiting on decision regarding the referral to the criminal court.

There have been no other governmental, legal and arbitration proceedings (during a period covering the last 12 months) which may have, or have had in the recent past, significant effects on AXA BANK's financial position or profitability.

**B.14 Dependence upon other entities within the group**

See B.5

**B.15 Principal activities**

AXA BANK's object is to carry out the business of a credit institution. It is a member of the AXA Group, an important global player in the financial protection offering a wide range of products and services that meet the client's insurance, protection, savings, retirement and financial planning needs.

**B.16 Direct or indirect control over the [Issuer] or [Guarantor]**

AXA BANK is fully owned by other entities of the AXA Group. The organizational structure of AXA BANK is based on a clear split between Supervisory and effective management accountabilities. The auditor of the bank is PricewaterhouseCoopers Bedrijfsrevisoren CVBA.

**B.17 Credit ratings assigned to the [Issuer] or [Guarantor] or its debt securities**

The current ratings of AXA BANK are A/A-1, with outlook 'Stable' (Standard & Poors) and A2/P-1 with stable outlook (Moody's).

- 2010 S&P: A+/A-1/Stable outlook
- 2011 S&P: A+/A-1/Negative outlook  
Moody's: A2/P-1/Stable outlook
- 2012 S&P: A+/A-1/Negative outlook  
Moody's: A2/P-1/Negative outlook
- 19 Dec 2012 S&P: A/A-1/Stable outlook  
Moody's: A2/P-1/Negative outlook
- 25 May 2014 S&P: A/A-1/Stable outlook  
Moody's: A2/P-1/Stable outlook

**B.18 Nature and scope of the guarantee**

Not applicable (AXA BANK as Issuer)

**B.19 Information about the Guarantor**

Not applicable (AXA BANK as Issuer)

## **Securities**

**C.1 Type, class and identification number**

[•]

**C.2 Currency**

[•]

**C.5 Restrictions on the free transferability**

[•]

**C.8 Rights attached to the securities including ranking and limitations to those rights**

The Notes are governed by and construed in accordance with Belgian Law.

[The Notes are direct, unconditional and unsecured obligations of the Issuer and rank without any preference among themselves, with all other obligations of the Issuer of the same category, only to the extent permitted by laws relating to creditor's rights. This category can be seen as the "ordinary creditors" and has a lower priority than the "privileged creditors" (ONSS, State, Employees, etc.)] *Applicable for Senior Notes*

[The Notes are direct, unsecured and senior subordinated obligations of the Issuer and rank without any preference among themselves with all other obligations of the Issuer of the same category. This category has a lower priority than the "ordinary creditors" but a higher priority than junior subordinated creditors or stakeholders.] *Applicable for Subordinated Notes*

**[C.9 Nominal interest rate] *Applicable for debt securities***

[•]

**Date from which interest becomes payable and due dates for interest**

[•]

**Where the rate is not fixed: underlying on which the rate is based**

[•]

**Maturity date and arrangements for the amortization of the loan, including the repayment procedures**

[•]

## Yield

[•]

### Name of representative of debt security holders

[•]

[C.10] **How is the value of the securities affected by the value of the underlying instrument(s)?**

[•]] *Applicable for debt securities with a derivative component*

C.11 **Admission to trading**

[•] *Applicable for derivative securities*

[C.15] **How is the value of the securities affected by the value of the underlying instrument(s)?** *Applicable for derivative securities*

[•]

[C.16] **Maturity date, exercise date, final reference date** *Applicable for derivative securities*

[•]

[C.17] **Settlement procedure** *Applicable for derivative securities*

[•]

[C.18] **How does the return take place?** *Applicable for derivative securities*

[•]

[C.19] **Exercise price/final reference price of the underlying** *Applicable for derivative securities*

[•]

[C.20] **Type of the underlying and where information on the underlying can be found**

[•]] *Applicable for derivative securities*

## Risk factors

### D.2 Key risk specific to the issuer and to the guarantor

Like other banks, AXA BANK faces financial risk in the conduct of its business, such as credit risk, operational risk and market risk (including liquidity risk). Furthermore, AXA BANK faces regulatory risk, the uncertain economic conditions and the competition across all the markets.

Considering the close relationship with, and the guarantee of the obligations of ABF(NL) by, AXA BANK, the risk factors as set out above in respect of AXA BANK may also apply, directly and/or indirectly, to ABF(NL).

- General credit risks are inherent in a wide range of AXA BANK's businesses. These include risks arising from changes in the credit quality of its borrowers and counterparties and the inability to recover loans and any amounts due.
- Market risks are all the risks linked to the fluctuations of market prices, including, principally, exposure to loss arising from adverse movements in interest rates, and, to a lesser extent, foreign exchange rates and equity prices, stemming from AXA BANK's activities.
- Operational risk is the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes legal and reputation risk but excludes strategic risk and expenses from commercial decisions. Although AXA BANK has implemented risk controls and loss mitigation actions, and has resources devoted to developing efficient procedures and staff awareness, full protection against operational risks can never be attained, due to the very nature of these risks.
- Liquidity risk management at AXA BANK is guided by internal and prudential liquidity ratios. Strict limits also apply with regard to the part that can be funded in the short term and the part that can be raised on the interbank market.

The Terms and Conditions of the Notes enable each Issuer to substitute itself as principal debtor under the Notes another company of the group to which the Issuer belongs. Such a substitution is subject to certain conditions, including that (i) the Guarantee must remain in place in case of substitution of ABF (NL) and that (ii) the substitute must have a long term credit rating of at least the same level as AXA BANK, in case of substitution of AXA BANK. This substitution aims to enable intragroup reorganisations, such as mergers

or reallocation of financing activities within the group (which may be driven by a variety of reasons, such as structural optimization, regulatory changes). A substitution will result in the Noteholders not having the same issuer as the initial issuer, albeit the substitute issuer will be part of the same group. In case of substitution, a new base prospectus will need to be published if the substitute issuer wants to issue notes under the Programme after that the substitution has become effective.

**[D.3 Key risk specific to the debt securities]** *Applicable for debt securities*

Provisions for calling meetings of Noteholders permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes.

In addition, any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time.

[Potential investors should be aware that:

- i. the market price of such Notes may be volatile;
- ii. such index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- iii. the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
- iv. payment of principal or interest may occur at a different time or in a different currency than expected;
- v. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- vi. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- vii. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;
- viii. the risks of investing in an Index Linked Note encompass both risks relating to the underlying indexed securities and risks that are linked to the Note itself;
- ix. any Index Linked Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- x. it may not be possible for investors to hedge their exposure to these various risks relating to Index Linked Notes;
- xi. a significant market disruption could mean that the index on which the Index Linked Notes are based ceases to exist; and
- xii. the index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.]

[The ratings assigned to this issue of Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.]

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it.

[Each Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of its investment.]

[Notes with variable interest rates can be volatile investments, especially if they are structured to include multipliers or other leverage factors, or caps or floors.]

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

[Notes are subject to optional redemption by the Issuer]

[The Maturity Date of the Notes may be automatically extended]

[The Notes bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate]<sup>1</sup>

[The Notes bear interest at a rate that the Issuer may elect to convert from a floating rate to a fixed rate]<sup>1</sup>

[The Notes are exposing investors to foreign exchange risk]<sup>1</sup>

[Zero Coupon Notes and Notes issued at a substantial discount or premium are subject to higher price fluctuations than non-discounted notes]<sup>1</sup>

[The Issuer's obligations under the Subordinated Notes are unsecured and subordinated and rank junior to the claims of creditors in respect of unsubordinated obligations]<sup>1</sup>

[Investment in Fixed Rate Notes, Floating Rate Notes, and Zero Coupon Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes, Floating Rate Notes, and Zero Coupon Notes].

[Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.]

[D.6 **Key risk specific to the derivative securities]** *Applicable for derivative securities*

**Warning:**

- **The holder of derivative securities could lose all or a substantial portion of the value of his investment in such securities.**

Provisions for calling meetings of Noteholders permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes.

In addition, any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time.

[The ratings assigned to this issue of Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.]

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it.

[Potential investors should be aware that:

- i. the market price of such Notes may be volatile;
- ii. such index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- iii. the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
- iv. payment of principal or interest may occur at a different time or in a different currency than expected;
- v. the holder of a non capital guaranteed Index Linked Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the Index Linked Note;
- vi. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- vii. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- viii. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;

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<sup>1</sup> Only applicable to the relevant type of Note as specified

- ix. the risks of investing in an Index Linked Note encompass both risks relating to the underlying indexed securities and risks that are linked to the Note itself;
- x. any Index Linked Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- xi. it may not be possible for investors to hedge their exposure to these various risks relating to Index Linked Notes;
- xii. a significant market disruption could mean that the index on which the Index Linked Notes are based ceases to exist; and
- xiii. the index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.]

[Each Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of its investment.]

[Notes with variable interest rates can be volatile investments, especially if they are structured to include multipliers or other leverage factors, or caps or floors.]

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

[Investment in Fixed Rate Notes and Variable Linked Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes]

[Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.]

[Notes are subject to optional redemption by the Issuer]

[The Maturity Date of the Notes may be automatically extended]

[The Notes are exposing investors to foreign exchange risk]

[The market price of Variable Linked Rate Notes with a multiplier or other coverage factor may be volatile, and the value of such Notes on the secondary market is subject to greater levels of risk than is the value of other Notes.]

[The formula used to determine the amount of principal, premium and/or interest payable with respect to the Variable Linked Notes contains a multiplier or leverage factor, the effect of any change in the applicable currency, stock, interest rate or other index will therefore be increased.]

**Warning:**

- A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.
- A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes.

## **Offer**

**E.2b Reasons for the offer and use of proceeds**

[•]

**E.3 Terms and conditions of the offer**

[•]

**E.4 Interest material to the offer including conflicting interests**

[•]

**E.7 Estimated expenses charged to the investor**

[•]

## **5 RISK FACTORS**

*(Annex V.2, IV.4 And XI.3 of Regulation (EC) 809/2004)*



*The following sets out certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in the Base Prospectus, including in particular the following risk factors detailed below. All of these factors are contingencies which may or may not occur and neither AXA BANK nor ABF(NL) is in a position to express a view on the likelihood of all or any of such contingencies occurring.*

*Prospective investors should also read the detailed information set out elsewhere in the Base Prospectus and reach their own views prior to making any investment decision.*

*In case of doubt in respect of the risks associated with the Notes and in order to assess their adequacy with the personal risk profile, investors should consult their own financial, legal, accounting and tax experts about the risks associated with an investment in these Notes, the appropriate tools to analyze that investment, and the suitability of that investment in each investor's particular circumstances. No investor should purchase the Notes described in the Base Prospectus unless that investor understands and has sufficient financial resources to bear the price, market, liquidity, structure redemption and other risks associated with an investment in these Notes. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Notes.*

### **Factors that may affect AXA BANK's ability to fulfil its obligations under the Notes**

Like other banks, AXA BANK faces financial risk in the conduct of its business, such as credit risk, operational risk and market risk (including liquidity risk). Furthermore, AXA BANK faces regulatory risk, the uncertain economic conditions and the competition across all the markets.

#### *Credit risk*

As a credit institution, AXA BANK is exposed to the creditworthiness of its customers and counterparties. AXA BANK may suffer losses related to the inability of its customers or other counterparties to meet their financial obligations. AXA BANK cannot assume that its level of provisions will be adequate or that it will not have to make significant additional provisions for possible bad and doubtful debts in future periods. AXA BANK's Risk Management oversees its risk policy and is responsible for, inter alia, setting and managing the risk surveillance function and decision processes and implementing bank-wide risk assessment methods for each of the bank's activities and operational entities.

#### *Market risk*

Market risks are all the risks linked to the fluctuations of market prices, including, principally, exposure to loss arising from adverse movements in interest rates, and, to a lesser extent, foreign exchange rates and equity prices, stemming from AXA BANK's activities. Market risks generated by the capital markets activities stems mainly from short-term cash management and a portfolio of derivative products with customers that is managed on a market value basis. Market risks generated by the commercial businesses are generally hedged and residual risks are handled by the Asset and Liability Management function.

#### *Operational risk*

Within AXA BANK, operational risk comprises the exposure to loss from inadequate or failed internal processes, people and systems or from external events (such as, but not limited to natural disasters and fires), risk relating to the security of information systems, litigation risk and reputation risk. Operational risks are inherent in all activities within the organization, in outsourced activities and in all interaction with external parties. AXA BANK's operational risk management framework, is responsible for, inter alia, coordinating the collection of risk event data and risk and control self-assessment within its different entities and activities, defining methodological principles, selecting adequate tools and ensuring global consistency. Unforeseen events like severe natural catastrophes, terrorist attacks or other states of emergency can lead to an abrupt interruption of AXA BANK's operations, which can cause substantial losses. Such losses can relate to property, financial assets, trading positions and to key employees. Such unforeseen events can also lead to additional costs (such as relocation of employees affected) and increase AXA BANK's costs (such as insurance premiums). Such events may also make insurance coverage for certain risks unavailable and thus increase AXA BANK's risk.

As with most other banks, AXA BANK relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Issuer's customer relationship management, general ledger, deposit, servicing and/or loan organization systems. AXA BANK cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions could have a material adverse effect on AXA BANK's financial condition and results of operations.

### *Liquidity risk*

The objective of liquidity management is to ensure that, at all times, AXA BANK holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties, at an economic price. All the main issues regarding liquidity risk are managed by AXA BANK's Asset and Liability Management teams, which carefully manage resources of the different entities and their use, in particular, the adequacy of expected new lending production with the available resources and AXA BANK's liquidity needs.

### *Regulatory risk – increased and changing regulation*

As is the case for all credit institutions, AXA BANK's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates, mainly in Belgium.

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in France, the United Kingdom, the United States, Belgium, Luxembourg and elsewhere have already provided additional capital and funding requirements and have already introduced or may, in the future, be introducing a significantly more restrictive regulatory environment, including new accounting and capital adequacy rules, restrictions on termination payments for key personnel and new regulation of derivative instruments. Current regulation, together with future regulatory developments, could have an adverse effect on how the Issuer conducts its business and on the results of its operations.

AXA BANK is subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations mainly in Belgium but also in the other regions in which the Issuer does business. Changes in supervision and regulation, in particular in Belgium, could materially affect the AXA BANK's business, the products and services offered by it or the value of its assets.

The recent global economic downturn has resulted in significant changes to regulatory regimes. There have been significant regulatory developments in response to the global crisis, including the stress test exercise coordinated by the Committee of European Banking Supervisors, in co-operation with the ECB, liquidity risk assessments and the adoption of new capital regulatory requirements under Basel III. AXA BANK works closely with its regulators, and continually monitors regulatory developments and plans the contemplated changes, but as the final details of the implementation are not fully determined yet, it is still highly uncertain what actions will be required from the Issuer in order to fully comply with the new rules.

AXA BANK's business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. The nature and impact of future changes to such policies are not predictable and are beyond AXA BANK's control.

### *Regulatory risk – European recovery and resolution regime*

On 18 December 2013, the Council of the European Union published a revised draft of a directive providing for the establishment of a European wide framework for the recovery and resolution of credit institutions and investment firms which was subsequently approved by the European Parliament on 15 April 2014 (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"). The stated aim of the BRRD is to provide supervisory authorities, including the NBB or other regulatory entity to which the Issuer is subject ("**Relevant Regulator**") with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers proposed to be granted to supervisory authorities under the BRRD include (but are not limited to) the introduction of a statutory "write-down and conversion power" and a "bail-in" power, which would give the Relevant Regulator the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution and/or to convert certain debt claims (which could be the Notes) into another security, including ordinary shares of the surviving entity, if any. It is expected that the BRRD will confer powers on the Relevant Regulator to require Additional Tier 1 and Tier 2 capital instruments to be written down in part or in full and/or converted into common equity Tier 1 instruments at the point of non-viability and before any other resolution action is taken. The point of non-viability for such purposes is the point at which the Relevant Regulator determines that the institution meets the conditions for resolution or the point at which the Relevant Regulator decides that the institution ceases to be viable, if those capital instruments are not written down.

Moreover, the BRRD provides that Relevant Regulator will apply the BRRD "bail-in" power in accordance with a specified preference order. In particular, the BRRD requires the Relevant Regulator to write down or convert Tier

2 capital instruments before applying the "bail-in" power to subordinated debt that does not qualify as an Additional Tier 1 or Tier 2 capital instrument (and only if the reduction (in terms of preference order) of Additional Tier 1 and Tier 2 capital instruments does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted). As a result, Notes which qualify as Tier 2 capital instruments may be fully or partially written down or converted even where other subordinated debt that does not qualify as Additional Tier 1 or Tier 2 capital instrument is not fully or partially written down or converted. This could effectively subordinate such Notes to AXA BANK's other subordinated indebtedness that does not qualify as Additional Tier 1 or Tier 2 capital of the Issuer, which would differ from the outcome in the event of the Issuer's winding up.

The BRRD contemplates that the majority of measures (including the write-down and conversion powers relating to Tier 1 capital instruments and Tier 2 capital instruments) set out in the BRRD will be implemented with effect from 1 January 2015, with the bail-in power for other eligible liabilities expected to be introduced according to a recent political agreement between the European Parliament and Presidency negotiators, by 1 January 2016. However, although the BRRD has been approved by the European Parliament, it is not in final form, and changes may still be made to it in the course of the legislative process. Accordingly, it is not yet possible to assess the full impact of the relevant loss absorption provisions and it is still possible that anticipated implementation dates could change. It should be noted in this respect that the Belgian Banking Law transposes the BRRD (other than the bail-in powers) into Belgian law and that, consequently, the regime will be applicable in Belgium prior to it being applicable elsewhere. The entry into force of the regime contemplated by the BRRD in Belgium (including in respect of the resolution of credit institutions (excluding the bail-in possibility)) occurred at the date of this Prospectus save for the resolution regime, where a specific royal decree needs to be published. Although the expectation is that this will occur shortly, the Issuer is not aware of the envisaged date hereof. Note that the bail-in regime will only be transposed in Belgian law at a later date, and it is the expectation that this will occur on the basis of specific royal decrees taken on the basis of the authorisation in this respect in the Belgian Banking Law.

The Belgian Banking Law contains powers to allow the government to conform the Belgian Banking Law to developments at a European level in certain areas, through a royal decree. It may also need to be amended depending on any further changes at the European level.

As well as a "write-down and conversion power" and a "bail-in" power, the resolution powers currently proposed to be granted to the Relevant Regulator under the BRRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for the purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down. In addition, the BRRD proposes, among the broader powers proposed to be granted to the Relevant Regulator, to provide powers to the Relevant Regulator to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinue the listing and admission to trading of debt instruments.

The BRRD contains safeguards for shareholders and creditors in respect of the application of the "write down and conversion" and "bail-in" powers which aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

There remains significant uncertainty regarding the ultimate nature and scope of these powers and, if ever implemented, how they would affect the Issuer and its securities (including the Notes). Accordingly, it is not yet possible to assess the full impact of the BRRD or the Belgian Banking Law on the Issuer and on holders of its securities (including the Notes), and there can be no assurance that, once it is implemented, the manner in which it is implemented or the taking of any actions by the Relevant Regulator currently contemplated in the BRRD would not adversely affect the rights of holders of the Notes, the price or value of an investment in the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

Article 518 of the CRR states that if the BRRD is not adopted by 31 December 2015, the European Commission should review and report whether the CRR should be amended so as to include write-down and conversion powers to ensure that relevant capital instruments fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken. There is a risk that such an amendment would result in capital instruments issued by AXA BANK (including any Tier 1 capital instruments and Tier 2 capital instruments) being used to absorb losses on the occurrence of a non-viability event.

The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of any securities (including the Notes) subject to the BRRD (including, retrospectively, if and to the extent the BRRD is implemented retrospectively so as to apply to any such securities) and could lead to the holders of securities (including the Notes) issued by AXA BANK losing some or all of their investment in such securities. Moreover, trading behaviour, including prices and volatility, may be affected by the threat of the bail-in option and, as a result, the Notes are not necessarily expected to follow the trading behaviour associated with other types of securities.

#### *Regulatory risk – new Banking Law*

The new Belgian banking law of 25 April 2014 (“*Wet op het statuut van en het toezicht op kredietinstellingen*”/“*Loi relative au statut et contrôle des établissements de crédit*”) (the “**Banking Law**”) is based on the existing regulatory framework and transposes into Belgian law (i) the CRD, as defined and explained in the paragraph ‘*Effective capital management and capital adequacy and liquidity requirements*’, and (ii) the BRRD, as defined and explained in the paragraph ‘*European Resolution Regime*’, other than insofar as it relates to the bail-in regime (which was deemed not sufficiently settled at the time of preparation of the text of the Belgian Banking Law). The Banking Law replaces the existing banking law of 22 March 1993. The Banking Law also introduces a number of specific provisions broadly in line with developments at the European level, such as certain limitations on trading activities, restrictions on proprietary trading, certain specific requirements (such as the obligation to maintain a minimum ratio of unencumbered assets) or general liens for the benefit of depositors on the movable assets of the Issuer (subject to certain limitations). The Banking Law further contains powers to allow the government to conform the Banking Law to developments at a European level in certain areas, including through the adoption of royal decrees.

Accordingly, the Banking Law will have an impact that goes beyond the mere transposition of the aforementioned CRD and BRRD. This is, in particular, but not solely, due to (i) the increased regulatory attention to, and regulation of, corporate governance (including executive compensation), (ii) the need for strategic decisions to be pre-approved by the regulator, and (iii) the prohibition (subject to limited exceptions) of proprietary trading.

The adoption of the Banking Law (including the transposition of various European directives as mentioned above) represents an important milestone which is likely to have an impact on business and earnings of credit institutions, including AXA BANK.

Finally, it should be noted that certain of the European initiatives (in particular the prohibition on proprietary trading) to be transposed into Belgian law pursuant to the Belgian Banking Law are still in draft form, or subject to political discussion, at the European level. Whilst the Belgian Banking Law contains powers to allow the government to conform the Belgian Banking Law to developments at a European level in certain areas through a royal decree, it cannot be ruled out that there will be differences between the regulatory regime promulgated by the relevant European directives and the regulatory regime of the Belgian Banking Law.

#### *Effective capital management and capital adequacy and liquidity requirements*

Effective management of the AXA BANK’s capital is critical to its ability to operate its businesses, to grow organically and to pursue its strategy of returning to standalone strength. The AXA BANK is required by regulators in Belgium and other jurisdictions in which it undertakes regulated activities to maintain adequate capital resources. The maintenance of adequate capital is also necessary for the AXA BANK’s financial flexibility in the face of continuing turbulence and uncertainty in the global economy.

The Basel III framework, which was agreed in December 2010, is intended to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. Among other things, Basel III introduced new eligibility criteria for Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments that are intended to raise the quality of regulatory capital, and increases the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer above the minimum capital ratios which, if not maintained, will result in certain capital distribution constraints being imposed on the Issuer. The capital conservation buffer, to be comprised of Common Equity Tier 1 capital, will result in an effective Common Equity Tier 1 capital requirement of 7 per cent. of risk-weighted assets. In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer during periods of excessive credit growth. Basel III introduces a leverage ratio for institutions as a backstop measure, to be applied from 2018 alongside current risk-based

regulatory capital requirements. The changes in Basel III are intended to be phased in gradually between January 2013 and January 2022. The implementation of Basel III in the European Union is being performed through the CRD IV (as defined below).

CRD IV consists of the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (“**CRD**”) and Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (“**CRR**” and together with CRD, “**CRD IV**”). These are applicable from 1 January 2014 and have been transposed into Belgian law via the Banking Law (as defined above). Even though CRR will be directly applicable in each Member State, CRR leaves a number of important interpretational issues to be resolved through binding technical standards that will be adopted in the future, and leaves certain other matters to the discretion of national regulators. In addition, the Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions contemplates that the European Central Bank will assume certain supervisory responsibilities currently handled by the NBB beginning in November 2014. The European Central Bank may interpret CRD IV, or exercise discretion accorded to the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than the NBB. To the extent that the Issuer has estimated the indicative impact that CRD IV may have on its weighted risks and capital ratios, such estimates are preliminary and subject to uncertainties, and may change.

The Basel III and CRD IV changes and other future changes to capital adequacy and liquidity requirements in Belgium and in other jurisdictions, including any application of increasingly stringent stress case scenarios by the Competent Authority, may require the Issuer to raise additional Tier 1 (including Core Tier 1) and Tier 2 capital by way of further issuances of securities, and will result in existing Tier 1 and Tier 2 securities issued by the Issuer ceasing to count towards the Issuer’s regulatory capital, either at the same level as present or at all. The requirement to raise additional Core Tier 1 capital could have a number of negative consequences for the Issuer and its shareholders, including impairing the Issuer’s ability to pay dividends. If the Issuer is unable to raise the requisite Tier 1 and Tier 2 capital, it may be required to further reduce the amount of its weighted risks.

As at 30 June 2014, the AXA BANK’s consolidated Common Equity Core Tier 1 capital ratio under Basel III “phased-in” (pro forma, unaudited) was estimated at 16.4 per cent. Any change that limits the AXA BANK’s ability to manage effectively its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of impairments and increases in weighted risks) or to access funding sources could have a material adverse impact on its financial condition and regulatory capital position and could negatively impact or result in a loss of value in the Notes.

#### *The proposed financial transactions tax (“FTT”)*

The European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The proposed FTT has very broad, potentially extraterritorial scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The Issuer is incorporated in Belgium and therefore financial institutions worldwide would be subject to the FTT when dealing in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may, therefore, be altered prior to implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Given the lack of certainty surrounding the proposals and their implementation, it is not possible to predict what effect the proposed FTT might have on the business of

AXA BANK; it could materially adversely affect the business of AXA BANK. Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the FTT.

#### *Risk related to derivatives transactions*

AXA BANK often acts as a party to derivative transactions, including credit derivatives. Individually negotiated and non-standardized derivative instruments can make it difficult to transfer or settle the position. This may lead to AXA BANK forfeiting the payments due under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs.

Through the admission of EMIR (Regulation (EU) No 648/2012 of the European Parliament and the Council on "OTC derivatives, central counterparties and trade repositories" (EMIR) of 4 July 2012, which entered into force on 16 August 2012) the environment and infrastructure in which derivatives are traded, has drastically changed.

The main objectives of EMIR are to increase market transparency, reduce counterparty credit risk and to reduce operational risk.

In addition to increased market transparency, EMIR aims to reduce the counterparty credit risk through the imposition of a central clearing obligation. All derivative contracts that are deemed eligible for clearing and for which an appropriate central counterparty (CCP) can be found have to be cleared. Central clearing increases the need for sufficient highly liquid and high quality assets to fulfill the margin calls.

For OTC contracts that fall outside the scope of the clearing obligation, EMIR imposes a sharpened collateral and risk management. First, depending on the characteristics of the contract, the trade is to be confirmed within a shorter time frame. Second, EMIR obliges market participants to mark all non-cleared derivative contracts to the corresponding market price, and if unavailable, appropriate economic models may be used. Third, higher capital requirements are imposed for non-cleared bilateral trades.

#### *Uncertain economic conditions*

AXA BANK's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, market interest rates and other factors that affect the economy. The profitability of AXA BANK's businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic trading market conditions and/or related factors, including governmental policies and initiatives. An economic downturn or significantly higher interest rates could increase the risk that a greater number of AXA BANK's customers would default on their loans or other obligations to AXA BANK, or would refrain from seeking additional borrowing. A sovereign debt crisis - as experienced in recent months - could have similar consequences and, hence, affect AXA BANK.

#### *Competition*

AXA BANK faces strong competition across all its markets from local and international financial institutions including banks, life insurance companies and mutual insurance organizations. While AXA BANK believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect AXA BANK in one or more of the markets in which it operates.

#### *Risk Management*

Monitoring of the risks relating to AXA BANK and its operations and the banking industry is performed jointly by the appropriate committees and the Risk Management department, with the help of tools that it develops, in compliance with the guidelines established by AXA BANK and all legal constraints and rules of prudence.

Factors that may affect ABF(NL)'s ability to fulfil its obligations under the Notes

Considering the close relationship with, and the guarantee of the obligations of ABF(NL) by, AXA BANK, the risk factors as set out above in respect of AXA BANK may also apply, directly and/or indirectly, to ABF(NL).

### **Factors which are material for the purpose of assessing the market risks associated with the Notes**

#### *Business Conditions and the General Economy*

The Issuer's profitability could be adversely affected by a worsening of general economic conditions domestically, globally or in certain individual markets. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

- An economic downturn or significantly higher interest rates could adversely affect the credit quality of the Issuer's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Issuer's customers would be unable to meet their obligations;
- A continued market downturn or further worsening of the economy could cause the Issuer to incur mark-to-market losses in its investment portfolios; and
- A continued market downturn would be likely to lead to a decline in the volume of transactions that the Issuer executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

All of the above could in turn affect the Issuer's ability to meet its payments under the Notes.

#### *Current Market Volatility and Recent Market Developments*

The capital and credit markets have been experiencing unprecedented levels of volatility and disruption in recent months

The resulting lack of credit availability, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect AXA BANK's, financial condition and results of operations, which could in turn affect AXA BANK's ability to meet its payments under the Notes.

#### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### *Substitution and Redemption relating to Subordinated Notes*

If specified as being applicable in the relevant Final Terms, Subordinated Notes may contain provisions which permit the Issuer to substitute the relevant Subordinated Notes for new Notes, so that the new Notes replacing the substituted Subordinated Notes, subject to certain restrictions, feature Terms and Conditions such that they are eligible for Tier 2 capital under the applicable regulatory capital rules. In certain circumstances where the AXA BANK is unable to achieve the Tier 2 capital recognition of the Notes in full through such a substitution of the Subordinated Notes for new Notes (if specified as being applicable in the relevant Final Terms), the relevant Subordinated Notes may be redeemed early. The exercise of these rights by AXA BANK may have an adverse effect on the position of holders of the Subordinated Notes. In addition, the tax and stamp duty consequences of holding any such substituted Notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding Subordinated Notes prior to such substitution.

#### *The Maturity Date of Notes may be automatically extended*

Unless a Noteholder exercises its Non-Extension Option within the relevant Exercise Period in accordance with the Conditions (in which case the Maturity Date of such Notes shall not be extended on any Automatic Extension Date as provided in the relevant Final Terms), on each Automatic Extension Date during the Automatic Extension Period as provided in the relevant Final Terms, the Maturity Date of each Note shall be extended automatically for the Automatic Extension Duration as provided in the relevant Final Terms. Any Notes in respect of which the Maturity Date has not been so extended will be attributed a separate ISIN number and common code and, in the case of Notes in definitive form, such Notes (together with, in the case of Bearer Notes, any related Receipts, Coupons and Talons) are required to be delivered to the Fiscal Agent or, in the case of Registered Notes, the Registrar or such other agent so specified for such purpose for appropriate annotation and (in the case of Bearer Notes) cancellation of all unmatured Receipts and Coupons falling due after the Maturity Date for such Notes and unexchanged Talons. If the Notes are still held in global form, the relevant Global Note or Global Certificate will be annotated in order to reduce the aggregate nominal amount of such Notes and a new Global Note or new Global Certificate representing such Notes will be issued in respect thereof and the Noteholder will, unless otherwise specified in the applicable Final Terms, be required to arrange for such Notes to be "blocked" in the relevant participant's account with such clearing system through which such Notes are held until the relevant Automatic Extension Date.

#### *Notes subject to optional redemption by the Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. Investors that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than the redeemed Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Variable Linked Notes*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). An investment in Variable Linked Rate Notes entails significant risks that are not associated with similar investments in a conventional fixed or floating rate debt security. The Issuers believe that Variable Linked Rate Notes should only be purchased by investors who are in a position to understand the special risks that an investment in these instruments involves. Potential investors should be aware that:

- i. the market price of such Notes may be volatile;
- ii. an index or indices may be subject to significant changes, whether due to the composition of the index itself, or because of fluctuations in value of the indexed assets;
- iii. the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by each Issuer at the same time;
- iv. payment of principal or interest may occur at a different time or in a different currency than expected;
- v. the holder of a non capital guaranteed Variable Linked Rate Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on the Variable Linked Rate Note;
- vi. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- vii. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- viii. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;
- ix. the risks of investing in an Variable Linked Rate Note encompass both risks relating to the underlying indexed securities and risks that are unique to the Note itself;
- x. any Variable Linked Rate Note that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, may carry levels of risk that are greater than Notes that are indexed to one type of asset only;
- xi. it may not be possible for investors to hedge their exposure to these various risks relating to Variable Linked Rate Notes;
- xii. a significant market disruption could mean that a Relevant Factor on which the Variable Linked Rate Notes are based ceases to exist and that the Notes are redeemed at a value below par; and
- xiii. and index may cease to be published, in which case it may be replaced by an index which does not reflect the exact Relevant Factor, or, in the case where no replacement index exists, the cessation of publication of the index may lead to the early redemption of the Notes.

In addition, the value of Variable Linked Rate Notes on the secondary market is subject to greater levels of risk than is the value of other Notes. The secondary market, if any, for Variable Linked Rate Notes will be affected by a number of factors, independent of the creditworthiness of each Issuer and the value of the applicable currency, stock, interest rate, commodity or other variable, including the volatility of the applicable currency, stock, interest rate, commodity or other variable, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, stock, interest rate, commodity or other variable depends on a number of interrelated factors, including economic, financial and political events, over which the relevant Issuer has no control. Additionally, if the formula used to determine the amount of principal, premium and/or interest payable with respect to Variable Linked Rate Notes contains a multiplier or leverage factor, the effect of any change in the applicable currency, stock, interest rate, commodity or other variable will be increased.



The historical experience of the relevant currencies, stocks, interest rates, commodities or other variables should not be taken as an indication of future performance of such currencies, stocks, interest rates, commodities or other variables during the term of any Variable Linked Rate Note. Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of certain Variable Linked Rate Notes.

Various transactions by the Issuers could impact the performance of any Variable Linked Rate Notes, which could lead to conflicts of interest between each of the Issuers and holders of Variable Linked Rate Notes.

The Issuers or affiliates thereof are currently active or may be active in the future in the international securities and currency markets on a daily basis. They may thus, for their own account or for the account of customers, engage in transactions directly or indirectly involving assets that are "reference assets" under Variable Linked Rate Notes and may make decisions regarding these transactions in the same manner as it would if the Variable Linked Rate Notes had not been issued. The Issuers and their affiliates may on the issue date of the Variable Linked Rate Notes or at any time thereafter be in possession of information in relation to any reference assets that may be material to holders of any Variable Linked Rate Notes and that may not be publicly available or known to the Noteholders. There is no obligation on the part of the Issuers to disclose any such business or information to the Noteholders.

#### *Notes with a multiplier or other leverage factor*

Notes with Variable Interest Rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes, since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Investors will not be able to calculate in advance their rate of return on Floating Rate Notes*

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

#### *Zero Coupon Notes are subject to higher price fluctuations than non-discounted notes*

Changes in market interest rates have a substantially stronger impact on the prices of Zero Coupon Notes than on the prices of ordinary notes because the discounted issue prices are substantially below par. If market interest rates increase, Zero Coupon Notes can suffer higher price losses than other notes having the same maturity and credit rating. Due to their leverage effect, Zero Coupon Notes are a type of investment associated with a particularly high price risk.

#### *Notes issued at a substantial discount or premium*

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Foreign currency Notes expose investors to foreign-exchange risk as well as to Issuer risk*

As purchasers of foreign currency Notes, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to each Issuer or the type of Note being issued.

#### *Issuer's obligations under Senior Subordinated Notes*

The Issuer's obligations under Senior Subordinated Notes will be unsecured and senior subordinated and will rank junior to the claims of creditors in respect of unsubordinated obligations (as described in "Terms and Conditions of the Notes").

#### *Specified Denomination of €100,000 plus integral multiples of a smaller amount*

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

#### **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

##### *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes enable each Issuer to substitute itself as principal debtor under the Notes another company of the group to which the Issuer belongs. Such a substitution is subject to certain conditions, including that (i), in case of substitution of ABF (NL), the Guarantee must remain in place and that (ii), in case of substitution of AXABANK, the substitute must have a long term credit rating of at least the same level as AXA Bank and AXA BANK must guarantee the payment of the amounts due by the substitute in respect of the then outstanding AXA BANK Notes. This substitution aims to enable intragroup reorganizations, such as mergers or reallocation of financing activities within the group (which may be driven by a variety of reasons, such as structural optimization, regulatory changes). A substitution will result in the Noteholders not having the same issuer as the initial issuer, albeit the substitute issuer will be part of the same group and AXA BANK will be a guarantor. In case of substitution, a new base prospectus will need to be published if the substitute issuer wants to issue notes under the Programme after that the substitution has become effective.

##### *Market conditions*

The trading market for debt securities may be volatile and may be adversely impacted by many events.

The market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialized countries. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

##### *European Monetary Union*

If a EU Member State joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes that State may become a participating Member State and that the Euro may become the lawful currency of that State. In that event (i) all amounts payable in respect of any Notes denominated in local currency may become payable in Euro (ii) the law may allow or require such Notes to be re-denominated into Euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in local currency used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

##### *Change of law*

The Terms and Conditions of the Notes are based on Belgian law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to Belgian law or administrative practice after the date of issue of the relevant Notes.

## **Risks related to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In case of sale of the Notes before maturity, the proceeds can be lower than the redemption amount.

### *Exchange rate risks and exchange controls*

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the equivalent yield on the Notes in the Investor's Currency, (2) the equivalent value of the principal payable on the Notes in the Investor's Currency and (3) the equivalent market value of the Notes in the Investor's Currency.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Interest rate risks*

Investment in Fixed Rate Notes, Zero Coupon Notes and Floating Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes, Zero Coupon Notes and Floating Rate Notes.

### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

## **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it.

## **Warnings**

*Notes may not be a suitable investment for all investors*

Each potential investor in any Notes must determine the suitability and/or appropriateness of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

*A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs*

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes

Payments of interest on the Notes, or profits realized by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on Noteholders generally is described below; however, the tax impact on an individual Noteholder may differ from the situation described for Noteholders generally. The Issuers advise all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

*Non capital guaranteed derivative securities*

The holder of non capital guaranteed derivative securities could lose all or a substantial portion of such securities.

**Warnings and considerations regarding Tax**

*EU Savings Directive*

Under European Council Directive 2003/48/EC on taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Investors should note that the current Luxembourg government has announced its intention to elect out of the withholding

system in favour of an automatic exchange of information with effect as from 1 January 2015. A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the EU Council of Ministers adopted a Council Directive (the “**Amending Directive**”) pursuant to which Member States are required to extend the scope of the requirements of the Savings Directive described above to (among other things) (i) payments made under certain financial instruments and life insurance contracts that are considered equivalent to debt claims (ii) certain payments that are made to entities or legal arrangements (such as trusts) established outside the EU, where an individual resident in a Member State other than that of the paying agent is regarded as the beneficial owner of that payment and (iii) payments made to certain entities or legal arrangements established in the EU which are treated as paying agents on receipt of interest payments. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the NBB-SSS, any Agent, nor any other person would be obliged to pay additional amounts with respect to the Notes as a result of the imposition of such withholding tax.

#### *U.S. Foreign Account Tax Compliance Withholding*

The Issuers and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2013 in respect of Notes pursuant to the foreign account provisions (“FATCA”) of the Hiring Incentives to Restore Employment Act of 2010. The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the relevant Issuers, the Guarantor (as applicable), any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of the Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

#### *Payment on the Notes may be treated as dividend equivalent payments and subject to U.S. withholding tax*

Due to the recently enacted U.S. Hiring Incentives to Restore Employment Act, payments on any Notes that are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity (a “Dividend Equivalent Payment”) may become subject to a 30 per cent. U.S. withholding tax when made to a non-U.S. Noteholder. The imposition of this U.S. withholding tax will reduce the amounts received by non-U.S. Noteholders. Neither the Issuer, the Guarantor, any paying agent nor any other person shall pay any additional amounts to the non-U.S. Noteholders in respect of such U.S. withholding. If a non-U.S. Noteholder becomes subject to this withholding tax, the non-U.S. Noteholder may be able to claim any exemptions under its applicable double tax treaty. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments is subject to change.

## **6 DOCUMENTS REGARDING ANNUAL ACCOUNTS IN ANNEX**

This Base Prospectus should be read and construed in conjunction with the audited annual accounts of ABF(NL) for the years ended 31 December 2012 and 31 December 2013, and the consolidated audited accounts of AXA BANK for the years ended 31 December 2012 and 31 December 2013, including the reports of the statutory auditors in respect thereof, which are in annex to this Base Prospectus. Copies of all documents regarding the annual accounts in annex will be available free of charge at the offices of AXA BANK. Additionally, the annual reports of AXA BANK are available on the internet site of AXA BANK ([www.axabank.eu](http://www.axabank.eu))

The balance sheet, income statements, accounting policies, notes and auditors’ reports of ABF(NL) and AXA BANK are set out on the following pages of the annual reports of these companies respectively:

**AXA BELGIUM FINANCE (NL) B.V.**

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	Annual Report 2013	Annual Report 2012
Non-consolidated Balance Sheet	7	7
Non-consolidated Profit and Loss Account	9	9
Audit Report	26	23
Notes to the Accounts	16	15

#### AXA BANK EUROPE SA

	Annual Report 2013	Annual Report 2012
Consolidated Balance Sheet	5	5
Consolidated Statement of Income	2	2
Audit Report	135	135
Notes to the Consolidated Financial Statements	12	12

Information contained in the annual accounts in annex other than information listed in the table above is for information purposes only.

## 7 AXA BELGIUM FINANCE (NL) B.V.

*(Annex IV of Regulation (EC) 809/2004)*

### 7.1 General Information

AXA BELGIUM FINANCE (NL) B.V. was incorporated as a “besloten vennootschap” for an unlimited duration under the laws of the Netherlands on 30 October 1990 and under the name of Ippa Finance Company B.V. on 21 March 2000, the name was changed to AXA Belgium Finance (NL) B.V. Its registered office is in Amsterdam and its business address is at 4835 NA Breda, Ginnekenweg 213.

According to Article 2 of its Articles of Association, its objects 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, IOU's (debt acknowledgements) 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.

ABF(NL) is registered in the Commercial Register of the Chamber of Commerce in Amsterdam under file number 33.224.298.

The issued share capital of ABF(NL) amounts to EUR 1,768,458.60 divided into 3,897 ordinary shares of EUR 453.80 each.

ABF(NL) is a wholly owned subsidiary of AXA BANK and is part of the international group AXA (“AXA”). There is no arrangement that may result in a change of control of ABF(NL).

ABF(NL) acts as a finance company. ABF(NL) issues notes in the market, whereby proceeds of the issued notes are fully lent on to AXA BANK.

There have been no material contracts that are not entered into in the ordinary course of ABF(NL)'s business which could result in any member of the AXA group being under an entitlement that is material to ABF(NL)'s ability to meet its obligations to Noteholders.

ABF(NL) has made no investments since the date of the last published financial statements, and no principal future investments are planned. In addition, there has been no material adverse change in the prospects of ABF (NL) since 31 December 2013.

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABF (NL) is aware, during the last 12 months, which may have, or have had in the recent past, significant effects on ABF (NL)'s and/or the group's financial position or profitability.

The auditors of ABF(NL) are PricewaterhouseCoopers Accountants N.V. , Thomas R. Malthusstraat 5, 1066 JR Amsterdam, The Netherlands.

The relevant auditor's report with respect to the audited annual accounts of ABF(NL) for the years ended 31 December 2012 and 31 December 2013, as in annex to this Base Prospectus (See Section 6. Documents regarding annual accounts in annex), were delivered without any reservations.

## **7.2 Management and Supervision**

ABF (NL) is managed by a Management Board consisting of two managing directors. It has no staff and its Management Board members work on a part-time basis for ABF (NL). 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.

The managing directors of ABF (NL) are Mr. Aernout Veerman, Chairman, and Mr. Geert Van de Walle, Deputy Head of AXA BANK EUROPE Financial Services. The main external positions of Mr. Aernout Veerman are : Director VINCI B.V., Breda; To ABF (NL)'s knowledge, there are no conflicts of interests between the duties of the managing directors to ABF (NL) and their private interests and/or other duties.

The tasks of the Audit Committee of ABF(NL) have been delegated to the AXA Group's Audit Committee (including AXA Holdings Belgium, AXA Belgium and AXA BANK).

## **7.3 Financial Information**

### **7.3.1 Annual Audited Financial Statements of AXA BELGIUM FINANCE (NL) B.V.**

This financial information has been extracted without material adjustment from the annual audited financial statements of ABF(NL) for the years ended 31 December 2012 and 31 December 2013 and is prepared according to Dutch accounting standards. ABF(NL) is not required to apply international financial reporting standards ("IFRS") when drawing up its financial statements. The most recent year's historical financial information is prepared in a form consistent with that which will be adopted in ABF(NL)'s next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

The notes to the annual audited financial statements, including a description of the accounting policies, are set out on pages 10 to 19 of ABF(NL)'s 2013 annual report, which is in annex to this Base Prospectus.

## Balance sheet at December 31, 2013

(after appropriation of result)

### A s s e t s

	2013		2012	
	EUR000	EUR000	EUR000	EUR000
<b>Fixed assets</b>				
Financial fixed assets				
Amounts receivable from participants (1)		1,231,378		1,014,692
<b>Current assets</b>				
Receivables				
Amounts receivable from participants (2)	27,277		14,426	
Cash at bank (3)	3,616		2,876	
		30,893		17,302
<b>Total assets</b>		<u>1,262,271</u>		<u>1,031,994</u>



## Shareholder's equity and liabilities

	2013		2012	
	EUR000	EUR000	EUR000	EUR000
<b>Shareholder's equity</b>				
Issued share capital (4)	1,768		1,768	
Other reserves (5)	2,154		1,393	
		3,922		3,161
<b>Long-term liabilities</b>				
Other bond loans and private loans (6)		1,231,184		1,014,623
<b>Current liabilities</b>				
Other bond loans and private loans (7)	15,185		5,000	
Taxes and social security charges	231		142	
Other liabilities, accruals and deferred income (8)	11,749		9,068	
		27,165		14,210
<b>Total shareholder's equity and liabilities</b>		1,262,271		1,031,994

## Profit and loss account for the year ended 2013

	2013		2012	
	EUR000	EUR000	EUR000	EUR000
Other operating expenses		(225)		(208)
<b>Operating loss</b>		(225)		(208)
Income from amounts receivable forming part of the fixed assets (9)	33,762		20,982	
Interest income and similar income (10)	12		22	
Interest expense and similar charges (11)	(32,550)		(20,233)	
<b>Financial income and expense</b>		1,224		771
<b>Profit before taxation</b>		999		563
Income taxes (12)		(238)		(131)
<b>Profit after taxation</b>		761		432

### 7.3.2 Audited Cash Flow Statement of AXA BELGIUM FINANCE (NL) B.V.

#### Audited Cash Flow Statement of ABF(NL) as at 31 December 2013 and 31 December 2012

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

	2013		2012	
	EUR000	EUR000	EUR000	EUR000
<b>Cash flow from operating activities</b>				
Operating loss		(225)		(208)
Changes in working capital:				
- Movements in amounts receivable	(2,666)		(3,390)	
- Movements in current liabilities (excluding amounts payable to credit institutions)	2,770		3,267	
		104		(123)
Other changes:				
- Changes in amounts receivable forming part of the fixed assets	(7,666)		(3,269)	
- Changes in long term accrual liabilities	7,505		3,233	
		(161)		(36)
		(282)		(367)
Income from amounts receivable forming part of the fixed assets	33,639		19,954	
Interest income	13		22	
Interest expense	(32,510)		(19,172)	
Income taxes	(238)		(131)	
		904		673
<b>Cash flow from operating activities</b>		<b>622</b>		<b>306</b>
<b>Cash flow from financing activities</b>				
Loans granted to group companies	(349,757)		(821,675)	
Repayments on loans to group companies	98,269		186,557	
Proceeds from issued medium term notes	349,757		821,675	
Repayments on issued medium term notes	(98,151)		(186,576)	
<b>Cash flow from financing activities</b>		<b>118</b>		<b>(19)</b>
<b>Movements in cash at bank</b>		<b>740</b>		<b>287</b>
Cash at bank January 1		2,876		2,589
Movement		740		287
Cash at bank December 31		<b>3,616</b>		<b>2,876</b>

### 7.3.3 Recent Evolutions

Interim key figures for the six months ended on June 30th, 2014:

Balance sheet (in'000EUR)	30/06/2014	31/12/2013
Fixed Assets	1.388.049	1.231.378
Current Assets	29.423	30.893
Shareholders' Equity	4.260	3.922

<i>Long Term Liabilities</i>	1.378.703	1.231.184
<i>Current Liabilities</i>	25.509	27.165
	<b>30/06/2013</b>	<b>31/12/2013</b>
<b>Profit</b>	438	544

## 8 AXA BANK EUROPE SA

*(Annex XI of Regulation (EC) 809/2004)*

### 8.1 General Information

#### 8.1.1 AXA GROUP

AXA BANK EUROPE SA is a member of the AXA Group. AXA Group is an important global player whose ambition is to attain leadership in its core Financial Protection business. Financial Protection involves offering our customers - individuals as well as small, mid-size and large businesses - a wide range of products and services that meet their insurance, protection, savings, retirement and financial planning needs throughout their lives. AXA's strategy is to combine organic and external growth to meet the challenge of operational excellence in all of the following areas:

- Product innovation
- Core business expertise
- Distribution
- Quality of service
- Productivity

Leveraging the resources of AXA Group, and in accordance with AXA's values and commitments, about 160,000 people are working daily to execute this strategy and to serve more than 102 million clients.

In order to fully meet all the financial protection customer needs of European clients, AXA has a retail banking activity as part of the AXA Bank Europe structure. This activity is fully integrated within the group as it is a key element for the life & savings business.

#### 8.1.2 AXA Bank Europe

AXA BANK EUROPE SA ("AXA BANK") is a "naamloze vennootschap/société anonyme" of unlimited duration incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under business identification number 0404.476.835. Its registered office is at 1170 Brussels, boulevard du Souverain 25, Belgium, telephone +32 2 678 61 11.

AXA BANK was established on August 27th 1881 under the name of Antwerpsche Hypotheekkas (ANHYP).

Following the closing of a voluntary public offer on January 22nd 1999, Royale Belge, currently AXA Holdings Belgium, owns all shares in AXA BANK.

According to its Articles of Association AXA BANK's object is to carry out all transactions that are consistent and in accordance with the laws and regulations applicable to credit institutions. It can carry out all financial transactions, inter alia the collection of capital, in whichever way these are repayable, granting credits and credit loans backed by a mortgage or the deposit of values, for its own account and for the account of third parties. It can finance transactions on account, grant loans and credits, inter alia backed by a floating charge, and carry out transactions at discount and re-discount. It can exercise all activities; carry out or incorporated all businesses and execute all transactions that are, directly or indirectly connected with its object and nature of which is to promote its realisation, as all businesses or transactions that can be carried out or organized by way of service to its clients, inter alia in the area of insurance. It can carry out all investments in view of the best use of its funds or those that have been entrusted to it. It can, subject to approval by the general meeting of shareholders, merge with other companies with a similar object, according to such terms considered to be most suitable.

The share capital of AXA BANK amounts to EUR 546,318,241.47 divided into 395,911,750 shares.

In June 2007, AXA's Management Board has defined a common European banking strategy. AXA's objective is to progressively complement its Financial Protection offering with a range of simple and attractive banking

products, mainly offered through the existing insurance networks and over the internet, in the European countries where the association of banking and insurance services is highly valued by the customers. The ultimate aim is that local AXA Management in each relevant country has a range of insurance as well as retail banking services at their disposal to better serve their customers.

AXA Group's current banking activities cover five countries: Belgium, France, Germany, Hungary, (Czech Republik and Slovakia).

The European retail banking activities are coordinated by AXA BANK, formerly known as AXA Bank Belgium, in Brussels. Banking expertise has been pooled there to provide existing and future banks with the necessary support. Other European AXA banks operate or will operate as branches or subsidiaries of AXA Bank Europe.

#### *A little history of AXA Bank Europe*

- 2013 Closing of proper activities in Czech Republic and Slovakia
- 2012 Closing of proper activities in Switzerland
- 2011 Launch of commercial activities in Slovakia
- 2010 Launch of commercial activity of AXA Bank in Czech Republic
- 2009 Launch of commercial activity of AXA Bank in Switzerland
- 2009 Ella Bank in Hungary, acquired in 2007, becomes a branch of AXA Bank Europe
- 2008 AXA Life Europe Hedging Services joined AXA Bank Europe to provide financial engineering competencies to insurance companies of the Group and AXA Bank Europe
- 2007 Creation of the European bank platform AXA Bank Europe on December 3rd.
- 2002 AXA Royale Belge becomes AXA Belgium on 1 March. The bank side remains AXA Bank Belgium, abbreviated AXA Bank.
- 2000 Creation of AXA Bank Belgium (resulting from the merger between Ippa and Anhyp) on 1 January.
- 1999 AXA takes over Anhyp.
- 1999 Merger between Royale Belge and AXA Belgium.
- 1990 AXA Belgium is created.
- 1986 Royale Belge takes over Ippa.
- 1903 Foundation of "Société hypothécaire belge et Caisse d'épargne" (later renamed « Ippa »).
- 1881 Foundation of "Caisse Hypothécaire Anversoise" (becoming "Anhyp" later on).

#### *Key financial information*

- S&P rating : 'A/A-1' with 'Stable' outlook (27 January 2012)
- Moody's rating: 'A2/P-1 with 'Stable' outlook (25 May 2014)

#### *General Risk Profile*

AXA Bank Europe's core business is retail banking based on simple product offers.

#### *Governance and control*

AXA Bank Europe has a governance structure consisting of a Board of Directors, with mainly a supervisory function and defining the company's strategy, and an Management Board with exclusive responsibility of effective management. This structure illustrates and clearly organizes the split between supervisory and management accountabilities.

The auditor of AXA BANK is PricewaterhouseCoopers Bedrijfsrevisoren CVBA, Woluwedal 18, 1932 Sint-Stevens-Woluwe (Belgium).

The relevant auditor's report with respect to the audited accounts of AXA BANK for the years ended 31 December 2012 and 31 December 2013, as in annex to this Base Prospectus (See Condition 6. Documents regarding annual accounts in annex), were issued without any reservations.

## **8.2 Business Overview**

### **8.2.1 Key Events in 2013**

AXA Bank Europe has participated for the first time to the Financial Stability Assessment Program (aka "IMF stress-test"). This 5-yearly exercise is conducted by the International Monetary Fund (IMF) together with the

National Bank of Belgium (NBB) to assess the stability and development of the financial sector in Belgium. It contains several components, including stress-tests on liquidity and solvency. The liquidity stress-test has been performed by the IMF and NBB on their own, while the solvency stress-test required the involvement of AXA Bank Europe's teams. The results show that the solvency of AXA Bank Europe would be materially impacted, but would remain generally above the required Basel III regulatory level.

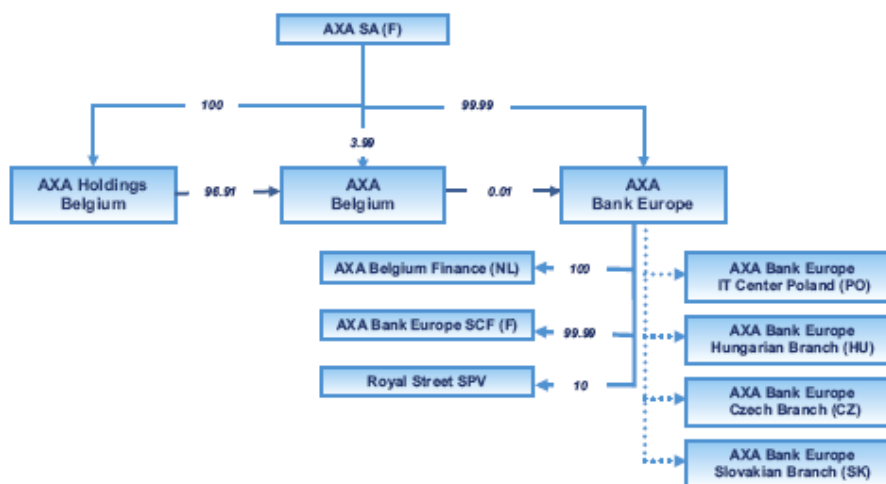
In the context of the Markets in Financial Instruments Directive (MiFID), the Financial Services and Markets Authority (FSMA) has communicated their findings of the audit performed between April 2012 and January 2013 on the distribution model of AXA Bank Europe in Belgium.

In May 2013, a partnership was signed between AXA and UniCredit Bank (UCB) in the Czech Republic and Slovakia. AXA is now focusing on the life insurance and property and casualty, while developing a banking partnership with UCB. Concretely, 120 000 banking clients of AXA Bank Europe in both countries have been invited to open an account with UCB while UCB is now offering AXA insurance in his own Czech and Slovak network. The two branches of AXA Bank Europe in these two countries were formally closed in late 2013.

In Belgium, AXA Bank Europe has launched in April 2013 "start2Bank", its mobile banking service. start2Bank contains of a full online current and savings account, a credit card, and access to home banking and mobile banking. With this mobile banking service, AXA Bank Europe focuses first on basic banking functionalities coupled with some useful features and secures this way its new presence on the mobile banking market.

AXA Bank Europe has decided to change its governance and organization from 1 January 2014. The purpose of these changes is to allow the bank to better cope with the challenges of a changing banking sector which is experiencing a strengthening of regulatory requirements and changing customer behavior. These changes are part of the new strategy of the bank, which aims to build on the two pillars in Belgium, namely retail banking on the one hand and treasury and intermediation services for AXA Group on the other hand. Changes in governance and organization at AXA Bank Europe and AXA Belgium are based on three principles: maintain and strengthen our unique AXA agents and brokers distribution platform to individuals, which is our strength and specificity; maintain a common platform for management of human resources; and gather the key activities of the bank value chain under the sole responsibility of the Management Board of the Bank

#### Simplified AXA Bank Europe shareholding structure



*(the Slovakian and Czech branched ceased the operations in 2013)*

AXA Belgium = insurance company

AXA Belgium Finance (NL) = Dutch finance company

AXA Bank Europe SCF = French Société de Crédit Foncier

Royal Street = Special Purpose Vehicle for securitization

## 8.2.2 Retail Activity Indicators by Entity

### **AXA in Belgium**

#### *Market conditions*

Economic activity in Belgium recovered slightly in 2013 (+0.1% against -0.3% in 2012) thanks to the turnaround of the economic situation in countries at the heart of the euro zone. Despite an unfavourable situation at the beginning of the year, economic activity in Belgium returned to positive growth in the second quarter and held this position in the third and fourth quarters.

The most recent figures for changes in consumer confidence show that this was re-established in the second quarter 2013. House- hold consumption therefore increased slightly in 2013 (+0.4% against -0.3% in 2012) to the detriment of the household savings rate that dropped back from 15.3% to 15.1% in 2013. These savings are made up of increasingly liquid products as shown by the traditionally high amount of deposits in regulated savings accounts in Belgium (EUR 247.4 billion at end October 2013).

The confidence of businesses improved in 2013. This was particularly true of manufacturing industry and, to a lesser extent, of the other sectors. Despite this, the overcapacities in industry limited the needs for expansion investment which resulted in a downturn in business investment (-1.1%). Liquidations increased (+13%), mainly affecting the hospitality and construction sectors and small traders.

Following a slight growth in 2012 (+0.1%), net exports increased by +0.3% in 2013. This slight increase is explained by a downturn in imports (-0.1%) combined with increased exports of goods and services (+0.2%).

Following an economic slowdown, internal employment dropped, especially in the first quarter of 2013. Net job losses bordered on eight thousand units (against 8 200 in 2012) despite the intensification of economic activity during the year. This explains the increased numbers of unemployed for the current year (+21 000 units) and the unemployment rate (harmonized by Eurostat) that rose from 7.5% to 8.6% in 2013.

Inflation in Belgium, rose by +1.2% in 2013 (against +2.8% in 2012). This slowdown is largely explained by the fall in energy prices. They are influenced by a drop in petroleum prices expressed in euro and by the reduction in gas and electricity prices applied by some suppliers at the start of the year. In addition, since 2013, the impact of sales on consumer prices has been considered in the index.

Despite the overall weak economic growth, the share and corporate bond prices picked up significantly during the second half of 2013. The abundance of liquidities combined with the very low yield on public borrowing encourages investors to look strongly for good yield.

#### *Savings & Investments activities*

The net collection of new capital by the savings products amounted to EUR 717 million in 2013 (savings accounts, fixed-term accounts, cash certificates and EMTNS).

AXA Bank Europe launched two new savings accounts in 2013: the savings account linked to the "st@rt2Bank" package and the account I+premium sold exclusively by our banking agents.

To protect the financial margin in the long term, the bank has deliberately focused the collection of net savings capital mainly on the savings accounts, to the detriment of large amounts in fixed-term accounts (EUR -303 million in 2013).

Investment activities kept on track as defined in 2012 with the emphasis on products collecting fresh net capital. The bank has thus collected EUR 125 million on the EMTN Optinote-range.

The amounts produced from the investments that generate commissions are higher than in 2012. AXA Bank Europe therefore posted a gross production of EUR 184 million in third-party products (+24% compared with 2012).

#### *Credit activities*

- *Mortgages*

The focus was on continuing to improve production quality in 2013. The credit policy was therefore upgraded at different levels: adapting the range of products (variable formulas limited to 25 years) and stricter acceptance policy.

Following these measures, and in the context of a slightly declining mortgage credit market, the credit production stabilized at EUR 2.2 billion (reduction compared with 2012 with its historic record of EUR 2.7 billion of production), i.e. a market share of 9.3%.

Specific attention was paid in 2013 to cross-selling (Active current account, household and balance due insurance). Closer monitoring during the implementation of the credit has been established and an increase rate of 50 bp for files that were not regularized in time (this concerned EUR 140 million mortgage loans production in 2013).

Another major focus in 2013 was strengthening product profitability in a context of historically high margins in 2013. Another important focus in 2013 was to strengthen the profitability of the product: a dynamic policy rates in a context of historically high market margins in 2013 has strengthened the margin of mortgages.

- *Consumer loans*  
The production of consumer loans dropped from EUR 387 million in 2012 to EUR 338 million in 2013. This slight drop was also caused by risk limitation measures in a globally stable market. With a market share of 5.33%, AXA Bank in Belgium has returned to its pre-2011 level.
- *Professional loans*  
The professional loan activities target SME and independents with a policy firmly directed towards the existing AXA customers who represent 90% of production. Production has stabilized at EUR 329 million in 2012 to EUR 320 million in 2013 as the acceptance policy was of reserving the professional credit offer essentially to the existing AXA customers.
- *Quality of the credit portfolio*  
In 2013, AXA Bank Europe recorded a net loss ratio (net loss credit/ credit portfolio) of 0.16%, slightly up by 0.03% compared with 2012. The credit policy initiatives taken in 2013 have led to a marked improvement in the quality of the new production.

#### *Daily Banking*

One priority during the year was to equip the customers of AXA Bank in Belgium with a current account and to activate these accounts. The number of active current accounts rose significantly (around fifteen thousand units), representing a growth of 5% over 2012. A total portfolio of 340.391 active accounts was achieved. The total number of current accounts was 465.919. The total amount outstanding in these current accounts at the end of 2013 was 1 525 billion EUR, i.e. an increase of 13% over 2012.

The debit card portfolio gained 7%, reaching a total of 489 738 cards. The number of transactions rose by 15% to settle at 47 million. The credit card portfolio (Visa, MasterCard) gained 6%, increasing to 86 374 cards. (maxi prepaid excluded).

#### **AXA in Hungary**

##### *Market conditions*

- *Gdp*  
The Hungarian economy exited the 5-quarter-long recession in the second quarter of 2013 and showed accelerating expansion in the third quarter by posting a 1.7% yearly growth rate. Triggers of growth were agriculture and manufacturing. While sound external demand could remain the main engine of growth, household's consumption could gather pace once the current deleveraging process loses momentum.
- *Unemployment*  
After reaching an all-time high of 11.8% in the first quarter of 2013, Hungary's unemployment rate started a nose-dive and reached single-digit territories (9.8%) in the third quarter for the first time since mid-2009. However, the detailed figures show that the main drivers are government-financed public work programs whereas labour demand in the business sector hardly showed any improvement.
- *Public debt and political risk*  
After spending 9 years under strict EU-investigation, the excessive deficit procedure against Hungary was lifted in mid-2013, indicating that the country's adjustments to meet the respective Maastricht criterion proved to be sufficient. Indeed, the budget deficit should remain below 3% in both 2013 and 2014 in Hungary, with however significant upside risks resulting from the 2014 parliamentary elections. As the second important indicator of state finances, the country's gross public debt has been fluctuating around 80% for 5 years. Currently, the two biggest concerns regarding Hungary's financing are the high portion of debt issued in foreign currencies as well as the high share of foreign entities among the country's creditors. Although the government started to diversify sources by targeting private individuals with forint- and euro-denominated retail bonds, the risks regarding the substantial stock of FX-bond are yet to be addressed.
- *Monetary policy*

Supported by the favourable growth outlook of the world economy as well as all-time low key interest rates in the developed countries, the Hungarian Central Bank continued its monetary easing cycle started in August 2012 and cut the base rate to a record low of 3% in 16 consecutive steps by the end of 2013. Domestic inflationary processes were also in favour of the current policy as the headline inflation figure gradually decreased from 6.6% to 0.9% between September 2012 and November 2013. Assuming no sudden change in current circumstances, Hungary's central bank is likely to go on with the current easing cycle in the first months of 2014.

- *FX*  
After reaching a local peak at the end of the first quarter, the pressure on the EUR/HUF exchange rate eased as it cross fluctuated in the 292-304 range in the second half of the year. the Forint finished the year around 297 against the EUR, resulting in a weakening of about 2.5 Forints over the course of 2013

#### *Saving activities*

AXA Bank Hungary Management followed continuously its loan de-risking strategy in 2013 which has direct link to savings portfolio. the main goal was in 2013 to stabilize the savings portfolio in a profitable way and to optimize the funding of its HUF loan portfolio.

The savings portfolio slightly decreased (in 2012: EUR 471 million compared to 2013: EUR 446 million) but turned profitable in 2013. The main drivers to reach this result and to protect the portfolio were:

- Preferential base rate environment with constant decrease since 2012 to 3% at the end of 2013.
- Acceleration of fee business development mainly due to
  - the launch MasterCard World bankcard;
  - and the restructuring of the accounts related fees.
- Improved product mix: short term savings Accounts were introduced in 2012 and Long term savings Accounts stopped also in 2012. Customers were orientated towards short term Deposit rather than high-price current accounts.
- Business Innovations:
  - Online Statement introduction substituting paper based document allowed substantial mailing cost reduction;
  - Online Account Opening facilities reduced administrative expenses and offered time efficient solution;
  - Development of a New Sales Model with a Flexible Direct sales Point completing the call centre and online channels;
  - Development of partnership with innovative entities such as TransferWise to offer competitive price for FX transfer.

#### *Credit activities*

The AXA Bank Europe loan portfolio in Hungary is in run-off mode and it shrank by EUR -327 million from 2012 till 2013 mainly due to Forced Conversion Program in 2011 (allowing customers to pre-pay their FX loans at a beneficial rate). Existing portfolio is EUR 1.1 billion at the end of 2013 and decreased by EUR 91 million compared to 2012.

The Management of AXA Bank Europe in Hungary focused in 2013 on de-risking the portfolio, to generate profit through re-pricing of the portfolio and to provide answer to the turbulent market and legal environment. Therefore Management focused on Collection activities developing a full range of products such as Customer Rescue Scheme (CRS) to enhance customers' re-payment capability and launched its owned real estate website to help ABH clients to sell their properties with higher margins.

AXA Bank Europe in Hungary maximized as well the use of existing programs such as the (i) Government Rescue Scheme (GRS) which allows customers to pay their FX loans at a discounted rate while accumulating a part of the difference on an escrow account. 13 458 clients applied by end of 2013 or (ii) National Asset Management Company (NAMAC) which buys back the property and rent it back to the customer when the customer, the property and the credit meet predefined conditions.

#### *Income*

AXA Bank Europe in Hungary net Income increased by EUR +13 million from 2012 (EUR -38 million) to 2013 (EUR -25 million) thanks to strong loss minimizing (including portfolio repricing) and de-risking strategy. Administrative expenses (excluding taxes) decreased by 19% from 2012 (EUR -23 million) to 2013 (EUR -19 million).



However, AXA Bank Europe in Hungary faced newly launched tax in 2012 and levy in 2013. Cost of risk decreased by EUR -10 million from 2012 (EUR 38 million) to 2013 (EUR 28 million) and loans risk profile is under strong scrutiny and remained a key driver of the Profit and Loss account for 2014.

### ***AXA in the Czech Republic***

Czech Republic has rating A+, according to Fitch agency. Czech Republic's gross domestic product (GDP), adjusted for price and seasonal influences, dropped by -1.3% year on year in Q2 2013, according to Czech Statistical Office. Two week repo is at a historical minimum of 0.05% p.a. since 2 November 2012. From 7 November 2013 the Czech National Bank started to use foreign exchange interventions in order to weaken the koruna so as to maintain the exchange rate of the koruna against the euro close to 27 CZK/EUR.

Total assets of the Czech banking segment reached CZK 4 903 billion as of the end of September 2013. The volume of deposits by residents totaled CZK 3 393 billion.

On 19 April 2013 the Board of AXA Bank Europe decided to terminate the activities of the branches in Czech Republic. This information was announced to customers, employees and public on 22 May 2013.

Clients were invited by official letters and emails to transfer their funds from AXA Bank Europe Savings Accounts. In order to settle the clients' portfolio, AXA Bank Europe set up a partnership with UniCredit bank. Most of the clients' deposits (more than 99%) were paid out to their accounts in other banks. The rest of the balances were transferred to special account in UniCredit bank. As at 30 September 2013, AXA Bank Europe had settled all clients' deposits.

The mortgage loans portfolio were transferred in three tranches to UniCredit bank.

### ***AXA in Slovakia***

Slovakia's annual GDP growth at constant prices slowed further in the second quarter of 2013, to 0.9% p. a., according to data from the national bank of Slovakia. The average annual inflation rate for the 12 months from September 2012 to August 2013 was 1.3% p.a.

In 2012, a Bank tax was introduced in Slovakia and charge of 0.4%p. a. (EUR 0.2 million) is also applied to retail customer deposits of AXA Bank Europe branch.

On 19 April 2013, the Board of AXA Bank Europe decided to terminate the activities of the branches in Slovak republic. This information was announced to customers, employees and public on 22 May 2013.

A similar process as in Czech Republic was applied for Slovak branch. Most of the clients' deposits were paid out to their accounts in other banks. AXA Bank Europe in Slovakia has also set up a partnership with UniCredit bank. Clients were invited by official letters to transfer their funds from AXA Bank Europe savings accounts. As at 30 September 2013, AXA Bank Europe had settled all clients' deposits.

## **8.2.3 AXA Bank Europe Shared Services**

### ***AXA Bank Europe Financial Services***

#### *Investment and Treasury Services*

During 2013, the European Central Bank (ECB) lowered its base rate in two steps from 0.75% to 0.25% and confirmed liquidity was to remain abundantly available. However, net lending to euro area credit institutions decreased from approx. EUR 1 170 billion early 2013 to EUR 717 billion end 2013. Alongside, the liabilities to credit institutions also decreased from EUR 990 billion early 2013 to EUR 200 billion. Overall, one might conclude that euro zone credit institutions decreased their dependence on ECB liquidity.

The low rate environment boosted AXA Bank Europe's treasury transformation results while the abundant liquidity created by the ECB financing and bond purchase programs created a leeway for AXA Bank Europe to further de-risk its structured credit portfolio. As a result of active de-risking, 99.7% of the remaining invested lines in AXA Bank Europe's structured securities portfolio were rated investment grade on 31 December 2013.

AXA Bank Europe's short term liquidity was further improved in 2013 bringing the liquidity buffer at EUR 1.7 billion. As for its longer term funding base, AXA Bank Europe increased its medium term retail funding through its EMTN program with a net issuance of EUR 200 million. In July 2013, AXA Bank Europe Société de Crédit Foncier issued another EUR 750 million of covered bonds. this issue has been retained on the AXA Bank Europe balance sheet and brings the issued covered amount to an aggregate of EUR 3.5 billion compared to a covered bond program of eUr 5 billion.

### *Investment Product Services*

As a provider of derivative execution and booking services to the commercial bank and since 2010 to AXA Group entities, AXA Bank Europe continued to increase its AXA Group client base while reducing the overall size of its off-balance sheet through regular off-balance sheet compression exercises with clients and market counterparts. These compression exercises reduced interest rate swap outstanding volumes with clients and market counterparts without having a significant impact on risk consumption.

### *Asset & Liability Management*

the Asset & Liability Management (ALM) framework at AXA Bank Europe is a primary component of the centralized balance sheet management governance at the head office level. The core purpose of ALM is to manage AXA Bank Europe's exposure to interest rate, liquidity, funding and foreign exchange risks within all applicable regulatory limits and the internal risk appetite framework. The scope has been extended in 2013 to cover regulatory solvency with the creation of a Capital Management Committee as a sub working group of the ALCO with periodic reporting into the Asset & Liability Committee (the ALCO).

The ALCO is composed of senior representatives from major business areas. The resulting pool of specific business line level expertise combined with the diverse professional background of individual ALCO members ensures a comprehensive managerial oversight of financial risks associated with the profile of the consolidated balance sheet of AXA Bank Europe.

During the year 2013, the low interest rate environment remained at the heart of the discussions at the ALCO, with a highly competitive market to attract net new money and compressed margins on savings accounts as a consequence. Navigating through these challenging market conditions, the ALCO took advantage of the prevailing low interest rates in order to reduce the sensitivity of the bank's balance sheet to a potential increase of the levels of long- term interest rates through interest rate swaps and caps, whilst pursuing its strategy of systematic hedge of fixed rate mortgages.

As far as funding and liquidity are concerned, 2013 has been marked by the continuation of AXA Bank Europe's systematic securitization policy: AXA Bank Europe realized a EUR 1 billion tap of an existing RMBS issued by Royal Street, its securitization vehicle, with EUR 125 million sold to AXA Bank Europe and EUR 875 million AAA tranche sold to AXA Bank Europe SCF (AXA Bank Europe's French Société de Crédit Foncier) which issued a French Covered Bond of EUR 750 million. This transaction has allowed maintaining AXA Bank Europe's liquidity at a comfortable level, despite the closing of AXA Bank Europe's Czech and Slovak branches mid-2013 and the related loss of retail deposits.

As mentioned above, capital management was also high on the 2013 ALCO agenda. The increasing pressure of regulatory constraints (NBB tier 1 Pillar 2 constraint set in July 2013 at 15%, subsequently hardened with a specific add-on for Belgium real estate and the move to Basle 3 rules as from 1 January 2014) has led to a higher focus on the optimization of regulatory capital usage and reduction of risk-weighted assets. In this context, next to other efforts across all bank activities, foreign exchange positions resulting mainly from Hungarian operations have been completely hedged.

### *Funds Transfer Pricing*

The internal funds transfer pricing (FTP) framework of AXA Bank Europe is one of the cornerstones of the centralized balance sheet management approach. The internal FTP framework enables the Bank to transfer into the ALM center most of the financial risks, primarily the structural interest rate and liquidity risk, at "an arm's length" pricing principle. The internal FTP rates are derived from the most relevant and liquid benchmark rate indices that are available in the financial markets. The application of internal FTP on this basis provides a comprehensive analytical view on business margins, thereby the contribution to total profitability, on all commercial assets and liabilities portfolios.

## **8.2.4 Comments on Risk Management Policies**

A hesitantly recovering economy combined with a tightening of the regulations on the financial sector was the challenging context in which AXA Bank Europe has operated during 2013. Next to strategic decisions like the closure of Czech and Slovakian branch, AXA Bank Europe has constantly revised its risk management policies in order to navigate safely in this environment. risk models were back-tested and updated when needed, limits were reviewed, indicators were challenged and reporting was improved

The main developments are described in the different paragraphs of this section. They will highlight the key risk events of 2013 and will also provide an overview of the strategies and mitigation methods used by the Bank to maintain these risks at desired levels.

The first paragraph gives an overview of the Bank's risk appetite framework. The next sections will focus on AXA Bank Europe's main risk categories for 2013, namely: strategic, credit, interest rate, liquidity, market and operational risks. All of them impact potentially the Bank's solvency, liquidity and profitability objectives.

#### *Risks appetite*

The continuous identification and quantification of the Bank's material risks are at the core of AXA Bank Europe's risk policies. These risks are measured, mitigated and continuously monitored through a well-implemented internal risk appetite framework. Within this framework, the Bank's risk appetite is translated into functional limits and hedging procedures. The strategic risk decisions are taken by AXA Bank Europe's Board of Directors, including the determination of the general risk appetite.

All material risks for the bank are covered through processes and are monitored by one of AXA Bank Europe's risk committee. Nine material risks are the object of an economic Capital model, which is forecasted on several horizons. Economic capital is then allocated to each activity of the Bank on a forward-looking way, based on AXA Bank Europe risk objectives. Next to that, the Bank projects its future regulatory solvency needs over the horizon of the Bank's business plan. The projected solvency needs fully incorporate the phasing-in and phasing-out arrangements for the regulatory solvency as described under the Basel III framework.

Besides, AXA Bank Europe deploys a liquidity framework based on regulatory and internal indicators. Within this framework, future liquidity needs of the Bank are projected and the Bank's risk appetite on liquidity risk is expressed in terms of these internal indicators.

#### *Strategic risk*

Strategic risk is the risk that AXA Bank Europe's main objectives (in terms of profitability, of solvency, of liquidity, and of value creation) may not be attained due to wrong decisions, inadequate resource allocation, or inability to respond properly to environmental changes. It refers to decisions required to adapt to the external business environment, to improve the internal organization or to seize new strategic opportunities.

Strategic threats were monitored all along 2013 through the annual strategic planning exercise, the financial forecasting processes, the product approval processes and the management of strategic projects.

The main strategic risks came from AXA Bank Europe's external environment: on the one hand the possibility of unilateral decisions taken by the Hungarian government concerning the mortgage portfolio in Hungary, and on the other hand strategic impact of EU regulation and Belgian legislation including the new Belgian banking law, CRD IV/CRR (EU implementation of Basel III), EMIR (the European regulation on OTC Derivatives, Central Counterparties and Trade Repositories), Recovery & Resolution Directive and MiFID. These strategic risk factors were the object of detailed analyses, decisions, dedicated projects, and when needed, provisions.

#### *Credit risk*

Credit risk is the risk of loss associated with the default or the deterioration in the credit quality of counterparty exposures.

#### *Retail credit risk*

AXA Bank Europe is mainly exposed to retail credit risk through its portfolio of retail loans (consumer, mortgage, professional and small enterprise loans) in Belgium and to mortgage loans in Hungary.

#### *Retail credit risk in Belgium*

The Belgian credit risk portfolio of the Bank consists of mortgages, consumer loans and professional loans with mortgage loans representing the most important share. The Bank has adopted an Advanced Internal Rate Based model (IRBA model) for its Belgian mortgages portfolio and is compliant with the Basel II requirements (CRD) for IRB models since 2008. During 2013, risk management has expanded its reporting on the risk drivers in the Belgian retail credit portfolio which has resulted in higher understanding of the risk evolutions by business and senior management.

At the beginning of 2013, the Bank has tightened the credit acceptance policy on mortgage loans and reviewed the product range. Both measure had the objective to preserve the strong credit risk profile of the Bank. In addition, the acceptance criteria for consumer loans were re-examined and changes were already implemented in early 2013. The overall, more selective acceptance policy resulted in new production with better quality loans, hence improving the quality of the entire credit portfolio.

The growth in the total portfolio is due to the increase in the mortgage portfolio (from EUR 12.6 billion in December 2012 to EUR 13.4 billion in December 2013) whereas the consumer loan and professional loan

portfolios remained constant (respectively EUR 1 billion and EUR 1.4 billion in December 2013). The rise in the required capital for the entire portfolio derives from the new law on capital requirements for mortgage loans. This law, published on 8 December 2013 and applicable as of 31 December 2013 to all Belgian banks using IRB models, results in an additional own fund requirement for AXA Bank Europe's mortgage portfolio of EUR 50 million at the end of 2013.

The observed default rate (over a one year horizon) in the Belgian portfolio has decreased again after the slightly increasing trend of 2012, from 1.47% on December 2012 to 1.38% on December 2013. The stabilization of the default rate is the result of the already mentioned actions undertaken by AXA Bank Europe to pre-serve the low risk profile of the loan portfolio. Moreover, the provisions on the retail portfolio were increased in order to reflect the actual macro-economic circumstances.

#### *Retail credit risk in Hungary*

The credit portfolio of the Hungarian branch was put in run-off since in 2011 and it has been since kept under very close watch due to vulnerability resulting from foreign exchange rate fluctuations and challenging market conditions. Just like in 2012, the management effort in 2013 was focused on developing mitigation measures to de-risk the portfolio. The impact of these mitigation actions on the risk profile of the Hungarian portfolio has become visible in 2013. the observed default rate declined by more than 2% (from 10.34% in September 2012 to 8.22% in December 2013) and the share of Hungarian credits directly exposed to the Swiss franc decreased from 70% in the beginning of 2012 to one third at the end of 2013.

The mitigation actions undertaken in 2012 and 2013 to de-risk the portfolio are built around 3 axes:

- a. Propose specific solutions to help debtor that are in difficulties to repay their loans. This includes active care of contracts that are in early stage of default, internal programs with adjusted repayment scheme for cancelled loans, and actions that maximize the collateral value in case of recovery by for instance involvement of the debtor in the sale of the property.
- b. Promote the government program for loans denoted in a foreign currency that reduces the monthly installments for the next 5 years in fixing the exchange rate between Swiss Franc and Hungarian Forint at 180.
- c. Proactively encourage debtors to convert their combined loans into annuity loans.

Finally, a portion of the credit risk models used for the provisions computation was re-developed and a new methodology to assess the individual loss for the cancelled loans (ILA) was put in place in 2013 as well.

#### *Non-retail counterparty credit risk and concentration risk*

The non-retail credit risk committee ensures the monitoring and compliance with the extensive counterparty limit framework which was put in place in 2012. the limit framework is scrutinizing counterparty exposures at different levels (country, sector, type of instrument and counterparty) and imposes limits at these different levels in order to restrict both the individual counterparty risk and the concentration risk exposures.

AXA Bank Europe continued to monitor the impact of the upcoming Basel III requirements on its investment portfolio in terms of the eligibility of the securities in the calculation of the liquidity cover- age ratio (see below chapter liquidity risk). the investment policy of AXA Bank Europe is restricted to level 1 and level 2 assets categories as per the Basel III definition.

The bulk of AXA Bank Europe's investments are European sovereign and supranational bonds. During 2013, AXA Bank Europe has reduced its share in Belgian government bonds portfolio and invested in, on the one hand, other EU government bonds (Germany, Netherlands, Spain and Italy; exclusively short-term for the latter two) and, on the other hand, European supra-nationals (EFSF, EIB,...) which has led to a higher diversification among countries. Besides, the exposure to structured products has been drastically reduced from EUR 784 million in December 2012 to EUR 482 million in December 2013 as a result of natural reimbursements and substantial voluntary de-risking taking advantage of favorable market conditions sales. Corporate bonds portfolio has been sold entirely as well. As far as PIIGs countries are concerned, AXA Bank Europe has increased its exposure to Spain (from EUR 272 to EUR 380 million) and Italy (from EUR 205 to EUR 467 million) via short-term sovereign bonds while its exposure to Portugal decreased slightly (from EUR 88 to EUR 60 million) and its exposure to Greece and Ireland is still nil.

In addition, credit ratings and market price evolutions of AXA Bank Europe's positions are carefully monitored to check the vulnerability of the credit portfolio to a number of adverse developments.

AXA Bank Europe continued to act for AXA Group as a centralized platform to access financial markets. This platform is used by different insurance entities within AXA Group and provides two services. Firstly, AXA Bank

Europe is an intermediary for plain-vanilla derivatives like interest rate swaps that are used by insurance entities of AXA Group to hedge their market risk positions in their life insurance businesses. Secondly, AXA Bank Europe provides liquidity to insurance entities via standardized money market transactions (reverse repos). The bank's exposures to derivatives and money market transactions – including the transactions related to the intra AXA Group activities described in the previous paragraph – are mitigated through an extremely strict collateral requirement policy. Exposures on such transactions are monitored on a daily basis and collateral exchanged is limited to cash and high quality securities to ensure that the credit exposures are adequately mitigated

#### *Interest rate risk and basis risk for retail activities*

Interest rate risk is defined as the risk of potential adverse changes to the fair value or earnings of interest sensitive positions after movements in interest rates while basis risk is defined as the risk of potential adverse changes to the fair value or earnings of positions that are sensitive to movements in the spread between inter-bank rates (swap rates) and government bond yields (OLO rates), the exposure to this spread is also called basis risk.

In the beginning of 2013, AXA Bank Europe has adopted a new interest rate model which includes both the sensitivity to inter-bank swap rates fluctuations and the basis risk component. This new model captures the interaction between swap rates moves and changes in spreads and it quantifies the combined impact of these two risks on AXA Bank Europe's banking book.

Over 2013, the overall interest rate risk exposure of AXA Bank Europe remained within requirements imposed by the regulator with a strong decrease of the exposure towards the end of year in anticipation of rising interest rates. AXA Bank Europe actively monitors and manages interest rate/basis risk of its banking book with its ALM department as first line of defense and Risk Management as independent second line of defense.

#### *Market risk for non-retail activities*

AXA Bank Europe has a very conservative approach towards trading room activities. The Bank's trading room activities mainly consist of two parts. The first part relates to AXA Bank Europe's role as a centralized platform to access financial markets for insurance entities in the AXA Group. All positions taken with entities of AXA Group in the context of this intermediation activity are mirrored by positions with external counterparties almost on a back-to-back basis, hence very limited market risk. The second part relates to standard banking treasury activities. AXA Bank Europe does not engage in equity or commodities trading.

All those activities are closely monitored by AXA Bank Europe's Risk Management within very tight limits: 10 day 99.9% VAR of all these activities is limited to 1.5% of tier 1 equity.

AXA Bank Europe's Asset & Liability Committee is responsible to ensure that market risk management strategies are applied. It reviews market risk reports produced by AXA Bank Europe's Risk Management department and it monitors compliance with agreed risk appetite limits.

#### *Liquidity risk*

The Basel Committee on Banking Supervision (BCBS) defines liquidity risk as the risk of not being able to easily and immediately raise its cash position in order to absorb shocks arising from financial and economic stress.

Over the last years, liquidity management was one of the main priorities for AXA Bank Europe and this has resulted in an updated liquidity risk framework that is based on both regulatory and internal indicators. In parallel, the Bank's Liquidity Contingency Plan was refined and the Bank has established a special task force with the mandate to immediately act and adequately decide during systemic or idiosyncratic liquidity crises.

AXA Bank Europe is continuously taking actions in order to further strengthen its liquidity position and ensure the stability of its funding sources. Major actions in 2013 include the collection of stable retail deposits, the strict investment policy that limits the new investments to highly liquid assets only, the accelerated run-off of less liquid investments and the creation of covered bonds under the French law that are backed by high-quality mortgages. The closure of the Czech and Slovakian activities generated an outflow of retail deposits but this outflow was easily absorbed by the actions described above.

AXA Bank Europe's strong liquidity position is reflected in an important liquidity excess both in terms of regulatory indicators (NBB Liquidity Indicator and Basel III's LCR) and in terms of internal indicators at the end of 2013. These internal indicators are aligned with the liquidity indicators of AXA Group but adapted to the specific context of AXA Bank Europe. Moreover, these internal indicators cover at the same time short (1 month time horizon) and longer liquidity stresses (1 year time horizon) occurring now or at any time over the horizon of our business plan.

Since 2011, AXA Bank Europe is proactively monitoring the new Basel III liquidity indicators (LCR and NSFR) and has already successfully adapted its strategy to be compliant with these upcoming indicators. The strategy includes for instance the Bank's investment policy that is limited to highly liquid assets and for instance attracting stable and long term funding. the principal stable funding sources of the Bank are retail deposits (EUR 16 billion on 31 December 2013) and Covered Bonds (EUR 3.5 billion on 31 December 2013). A comfortable pool of liquid assets combined with a solid funding structure make AXA Bank Europe's LCR and NSFR above the minimum requirements at the end of 2013.

#### *Operational risk*

Operational risk is defined 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.

AXA Bank Europe has been applying AXA Group risk Management framework for operational risk since 2011. This framework consists of an annual cycle which identifies, quantifies and mitigates the material operational risks across the bank. In 2013, AXA Bank Europe has been implementing several mitigation actions that have reduced significantly the exposure to some specific operational risks of the Bank. During 2013's operational risk cycle, special attention has been paid to fraud risk (including credit card fraud, forgery, hacking and fishing). Additional controls and stricter policies have already been implemented in 2013 and are foreseen for 2014 in order to reduce AXA Bank Europe exposure to potential fraud cases. The overall economic capital consumption for operational risk has been slightly reduced over 2013 compared to 2012.

### **8.2.5 Recent Developments**

#### ***Recent Developments in 2014***

No significant event subsequent to the balance sheet date and having an effect on the figures for the year 2013 have occurred.

In the context of a capital decrease of AXA Holdings Belgium (dated 2 January 2014), all shares of AXA Bank Europe were transferred to AXA SA on 17 March 2014 .

In February 2014, the bank announced a strategic plan for the activity of the bank in Belgium. this plan aims to improve recurring earnings of the bank through two levers: the repositioning of the retail banking business and the implementation of cost reduction plan on all activities. It focuses on three main pillars:

- improve customer focus by offering simple and transparent banking products;
- strengthen the bank agents' network and rely on the proximity of agents and their clients;
- reduce costs: in this context, negotiations will be conducted during 2014 with staff representatives and bank agents' representatives; these negotiations will include staff reductions between 2014 and 2016.

The implementation of this strategic plan will be implemented over the next three years and reviewed annually. As such, the launch of this plan does not affect the results of the year 2013.

The outlines of the plan were announced 21 February 2014 and the various building blocks of the 3 pillars, will be conducted during 2014 which will, when negotiations are completed, determine the financial impact for the future.

The 2014 half-year results of AXA BANK show a net result of EUR 25 million, which is EUR 8 million higher than the first semester of 2013.

## **8.3 Management and Supervision**

### **8.3.1 Administration, Management and Audit**

<b>Board of Directors</b>	<b>Executive Committee</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
Chairman Jacques de Vaucleroy	Chairman Jef Van In	Philippe Rucheton	Chairman Jacques de Vaucleroy
Vice-Chairman Emmanuel de Talhouët	Emmanuel Vercoustre	Patrick Lemoine	Patrick Lemoine

Jacques Espinasse (until 24 April 2014)	Patrick Vaneekhout (until 31 December 2013)	Marc-Antoine Bellis (since 22 July 2014)	Marc-Antoine Bellis (since 22 July 2014)
Jef Van In	Sabine De Rycker		
François Robinet	Dominique Bellec		
Patrick Vaneekhout (until 31 December 2013)	Irina Buchmann (until 31 January 2014)		
Stéphane Slits (since 1 February 2014)	Stéphane Slits (since 1 February 2014)		
Jeroen Ghysel (since 1 February 2014)	Jeroen Ghysel (since 1 February 2014)		
Patrick Lemoine			
Dominique Bellec			
Sabine De Rycker			
Emmanuel Vercoustre			
Irina Buchmann (until 31 January 2014)			
Marc-Antoine Bellis			
Philippe Rucheton (since 24 April 2014)			

<b>Statutory Auditor</b>
PricewaterhouseCoopers Réviseurs d'entreprises, scrl, represented by Mr Grégory Joos and Mr Tom Meuleman (chartered accountants)

#### **Audit Committee**

The AXA Bank Europe audit committee consists of Philippe Rucheton, Chairman, Patrick Lemoine and Marc Bellis since August 23, 2011

**Philippe Rucheton** was appointed an independent Director of AXA Bank Europe on 24 April 2014..

**Patrick Lemoine** was appointed a Director of AXA Belgium on 01/01/2010. He is a graduate of the Ecole des Mines (EMSE). He received an Etude Comptable Supérieur (Higher Accounting Studies) diploma and an MBA from INSEAD. He is also an actuary. He began his career in 1981 with Credit Lyonnais and has since acquired significant experience as a technical director in property-casualty insurance and as a financial director in the insurance industry in France and Canada.

**Marc-Antoine Bellis** was appointed an independent Director of AXA Bank Europe effective August 23, 2011 (via SPRL M.B.I.S. until 22 July 2014) . He has a PhD in Law and has a bachelor's degree in Economic Law from ULB and has been research assistant in fiscal law for 8 years. He has been a lawyer at the "Barreau de Bruxelles". He has since then acquired an extensive experience in credits, ALM and Risk Management and in

banking, including on an international level. Between 1994 and 2002, he was CEO of Fortis UK and until 2007 he was CEO of Corporate, Institutional & Public Banking for Fortis Group.

The Board of Directors is consequently in a position to demonstrate the individual and collective competence of members of the Audit Committee, as required by the Belgian law of 17 December 2008 on the establishment of an audit committee in financial institutions.

Since 2007 and prior to the entry into force of this law on 8 January 2009, the member companies of AXA Group Belgium used the independence criteria laid down in the AXA Group Corporate Governance Standards.

According to this text, to be considered independent, a director:

- may not be, or have been in the course of the last five years, an employee of the company or of a company with ties to the company;
- may not be a partner or employee of the company's external auditor;
- may have no family ties with any of the company's directors;
- may not have any direct or indirect significant business relations with the company or its affiliates.

Directors appointed prior to the entry into force of the law of 17 December 2008, who met these criteria, were entitled to sit as independent directors until 1 July 2011. All new appointments of independent directors shall meet the nine independence criteria set by the law of 17 December 2008.

### **Conflicts of Interests**

To AXA BANK's knowledge, there are no conflicts of interests between any duties to AXA BANK of the members of the Board and of the committees and their private interests and/or other duties.

### **Remuneration policy for directors**

#### *Generalities*

The remuneration policy for directors defined by AXA Bank Europe is based on AXA Group's remuneration policy while conforming to practices on the local market. External studies are conducted annually to ensure such conformity.

#### *Structure of the remuneration policy*

The remuneration policy for directors of AXA Bank Europe includes a fixed component and a variable component. The balance between the two can vary depending on the level of responsibilities (directors or members of the executive committee), it being understood that the fixed component is always adequate in order to allow for a flexible remuneration policy on the variable component.

The variable component is made up of two parts:

- A non-deferred variable component which is defined by an annual cash target.
- A deferred variable component which is composed of a share option plan, with a vesting period of at least three years.

#### *Performance measurement*

Performances are determined on the basis of different criteria that take account of the rate of achievement of individual objectives which are quantitative and qualitative in nature, the performance of AXA Bank Europe and the performance of AXA Group as a whole.

#### *Governance*

The remuneration policy and the individual remuneration of directors and members of the executive committee are set annually by the Board of Directors on the basis of proposals from the Remuneration Committee. This committee is made up of the Chairman of the Board of Directors and of non-executive directors. Different experts from AXA Bank Europe and AXA Group are invited to advise the Remuneration Committee. Non-executive directors are only paid fixed emoluments and do not receive any variable remuneration.

### **8.3.2 External Duties of the Directors**

Under the Financial Services and Markets Authority (previously CBFA) Regulation, approved by the Royal Decree dated 19th July 2002 and concerning the performance of external duties by executive managers of credit institutions, AXA BANK is required to disclose the principal external duties performed by its directors and executive managers.



Name	External Positions
Jacques de Vaucleroy	<ul style="list-style-type: none"> <li>• AXA Belgium - Chairman of the Board of Directors and Remuneration Committee</li> <li>• AXA Holdings Belgium - Director, CEO</li> <li>• AXA Region NORCEE - CEO</li> </ul>
Emmanuel de Talhouët	<ul style="list-style-type: none"> <li>• AXA Belgium - Director, CEO</li> <li>• AXA Holdings Belgium - Director, CEO</li> </ul>
Jef Van In	<ul style="list-style-type: none"> <li>• AXA Region CEE - CEO</li> </ul>
François Robinet	<ul style="list-style-type: none"> <li>• AXA Bank Europe SCF (F) - Director</li> </ul>
Patrick Lemoine	<ul style="list-style-type: none"> <li>• AXA Belgium - Director, member of the Audit Committee and Remuneration Committee</li> <li>• AXA Holdings Belgium - Director, member of the Audit Committee and Remuneration Committee</li> <li>• AXA Region NORCEE - CFO</li> </ul>
Dominique Bellec	<ul style="list-style-type: none"> <li>• AXA Bank Europe SCF (F) - Director</li> </ul>
Sabine De Rycker	<ul style="list-style-type: none"> <li>• AXA Private Management – Non Executive Director</li> </ul>
Emmanuel Vercoustre	<ul style="list-style-type: none"> <li>• AXA Bank Europe SCF (F) - Chairman of the Board of Directors</li> <li>• AXA Banque (F) - Member of Supervisory Board as representative of AXA Bank Europe</li> <li>• GIE AXA (F) - Member of Supervisory Board</li> </ul>
Philippe Rucheton	<ul style="list-style-type: none"> <li>• Bertrand Controls Ltd (France) - Non Executive Director</li> </ul>
Stéphane Slits	<ul style="list-style-type: none"> <li>• L'Ardenne Prévoyante – Director</li> <li>• AXA Private Management – Non Executive Director</li> </ul>
Jeroen Ghysel	<ul style="list-style-type: none"> <li>• None</li> </ul>
Marc-Antoine Bellis	<ul style="list-style-type: none"> <li>• Director/Treasurer Lique des Droits de l'Homme</li> </ul>

### 8.3.3 Supervision

AXA BANK Europe is under the supervision of the National Bank of Belgium (BNB/NBB).

## 8.4 Financial Information

### 8.4.1 General notes to the Financial Statements of AXA Bank Europe SA

AXA Bank Europe NV, a public limited company based on Belgian law, with registered offices in 1170 Brussels, Vorstlaan 25, was a full subsidiary of AXA Holdings Belgium NV as of 31 December 2013.

Both companies belong to the controlling parent company AXA SA in France.

On 17 March 2014, all shares of AXA Bank Europe were transferred to AXA SA within the framework of a reduction in capital in kind of AXA Holdings Belgium (dated 2 January 2014). The legal consolidation scope of AXA Bank Europe comprises the Belgian bank activities, the branch offices of AXA Bank Hungary, IT Centre Poland and the subsidiaries of Royal Street NV, AXA Belgium Finance (NL) B.V. and AXA Bank Europe SCF.

In May 2013, the decision was taken to close the Czech and Slovakian branch offices and to terminate bank activities in these two countries. After the NBB gave its approval for this, both branch offices were closed formally before the end of the year. The impact of these two branch offices on the financial year's result amount to EUR 15.6 million mainly because of the costs as a result of these closures.

In Belgium, AXA Bank Europe provides a broad range of financial products to individuals and small businesses and has a network of exclusive independent bank agents who also support the sale of AXA Insurance and AXA Investment Managers products. The best products of AXA Bank Europe in Belgium are st@rt2bank, a free current account and related savings account, mortgage credits, short-term loans and, in particular, loans for home renovations. AXA Bank Europe is the sixth bank in Belgium where the four largest banks represent 75% of the market.

### **Consolidation principles**

#### *General*

AXA Bank Europe currently only has branches, i.e., companies over which it exercises full control. Typically, all branches must be fully consolidated. As a departure from this principle, AXA Bank Europe has decided, on the basis of the principles of relevance and immateriality, not to include in the consolidation circuit or for the application of the IFRS consolidated financial statements the subsidiaries that are out of the consolidation scope based on derogation from the FSMA.

This derogation applies to branches whose total balance during the previous financial year constitutes less than 0.15% of the total balance for AXA Bank Europe, unless decided otherwise by the Board of Directors. This means that the AXA Belgium Finance (NL) BV subsidiary as well as SPV Royal Street NV and SCF AXA Bank Europe (Société de Crédit Foncier) are included integrally.

#### *Intergroup entities purchase*

With regard to business combinations with other entities of the AXA Group, these entities fall under common control and, thus, these business combinations are not covered by IFRS 3. AXA Bank Europe applies, in such a case, a method under which the integrated assets and liabilities retain the same carrying amount as the purchased entity. Adjustments are only implemented to achieve harmonisation of accounting policies.

### **Notes on the Risk Management**

#### *Strategy*

The monitoring of the liquidity position is given the highest priority with regard to the overall management of the bank. The ALCO (Assets and Liabilities Comité that meets on a monthly basis) shall also, therefore, take into account the liquidity aspects of the bond portfolio when managing the interest rate risk through the investment portfolio. The capital market is also used for the structural liquidity requirements of AXA Bank Europe since 2010 through the issue of Covered Bonds through AXA Bank Europe Société de Crédit Foncier.

The financial derivatives are used for both the hedging of specific balance sheet risks, such as the mortgage loan portfolio, and for specific structured liability products sold to the clients. Instruments such as swaps, swaptions, caps and structured swaps are regularly used here. These hedging strategies are the object of ALCO decisions.

Derivatives are also used, which fit into what is referred to as dynamic treasury management. These portfolios are managed and monitored in the dealing room. Their general limit framework as approved by the management committee is monitored on a daily basis by a risk management team.

#### *Management*

The management of the different risks at AXA Bank Europe is described in the general risk management charter and in the different risk charters.

This describes the role and the responsibility of the various departments and bodies as well as the organisation of risk management. For example, there is an ALCO for the interest and liquidity risk and a credit committee for the counterparty risk. These risk charters were validated by the bank's management committee.

In addition the various risks are regularly reported to various ad-hoc committees.

Information regarding AXA Bank Europe risk management can be found in the annual report.

#### *Credit risk*

AXA Bank Europe's core activities consist in the provision of savings and investment products and credits to retail, independent contractors and small enterprises (retail business). Retail activity also represents the largest portfolio in terms of the balance sheet.

The majority of the bank's credit risk results from this business. Credit risk also exists in items off the balance sheet account, such as credit lines.

Funding for the collection of savings exceeds the options for profitable reinvestment in retail activities. This means that there is an investment portfolio.

More information about the management of the credit risk can be found in the annual AXA Bank Europe report.

#### *Retail credit risk*

##### *Credit risk Belgium*

This is understood to mean the risk of a debtor defaulting in full or in part or their position worsening, with negative consequences for the results and/or capital position.

Retail credits come in various forms of credit risk. Among this mortgage financing, with a share of approximately 83% in terms of outstanding balance, is by far the most important. Given the good cover and low probability of default of this financing, the risk profile of the total credit portfolio is very low. For example, at the end of 2013, the dispute rate was 1.02% (0.90% at the end of 2012), the provision was 0.38% (0.45% at the end of 2012) and the net loss EUR -25.5 m (EUR -20.1 m in 2012).

Retail credits are accepted on the basis of a set of acceptance standards and policy rules. The acquisition scoring models developed in the framework of Basel II play a supporting role here. An essential part of the credit risk policy is formed by the "Collection Bank" department. This department implements measures to minimise the bank's risk depending on the nature and severity of the problem. In addition the department determines the depreciations to be created per quarter.

##### *Credit risk for Hungary*

The Hungarian economy has been experiencing a crisis the last few years. The result of this is increased unemployment, dropping property prices and the devaluation of the Hungarian currency, the HUF. These elements and the general use of foreign currency mortgages, mainly in CHF, have led to an increase in non-payments. This, in turn, has put property prices under more pressure and they have dropped even further. The Hungarian government has taken different measures during the past few years with the goal of protecting mortgagees. In 2011, the government implemented a measure (GRS 1) that offered households the option to repay their foreign currency mortgage for a favourable exchange rate. This measure led to an important volume of early repayments. In 2012, an additional measure (GRS 2) was taken that offered households the option of implementing a cap on the foreign exchange rate under specific terms and conditions for their mortgages in CHF, EUR or JPY for a period of 5 years. These measures were extended by the Hungarian government in 2013. The cap consists in that the repayments of capital and interests can take place during 5 years based on an exchange rate imposed by the government. For the capital, the difference between the effective and imposed exchange rates after 5 years must be paid back at a later date by the client in bands. The government shall intervene above a specific exchange rate to reimburse banks for the repayment of the capital and interests. The government is imposing a "contribution for financial institutions" on the banks for this last concession to the banks.

The total (gross) credit portfolio of the Hungarian branch amounts to HUF 341 billion (EUR 1.1 billion) as on 31 December 2013 where EUR 669 million or 58% of this has been issued in a foreign currency. The composition of this amount in loans issued in foreign currencies amounts to: EUR 658 million in loans in CHF and EUR 11 million in loans issued in EUR. For example, at the end of 2013, the dispute rate was 21.69% (0.90% at the end of 2012), the provision was 15.34% (0.45% at the end of 2012) and the net loss EUR -26.0 m (EUR -39.62 m in 2012).

##### *Economic capital*

One of the most important parameters for risk management is economic capital. This is the capital that is required to absorb the economic risks of all activities within a timeframe of a year. AXA Bank Europe uses a 99.9% confidence Level. The current model has been in existence since 2009. A model for the Hungarian branch was developed and approved during the course of 2009. AXA Bank Europe is constantly working on improving and refining its own economic capital methodology. The economic capital of credit retail in Belgium amounts to 15.76% of the total economic capital of the bank for diversification and that of Hungary is 28.00%.

##### *Credit risk of the investment portfolio*

The investment portfolio is linked to a strict limit framework in relation to credit quality and to a strict "Approval Process" for every investment (with the exception of government securities).

#### Counterparty risk of dealing room activity

The banks that are the counterparty for the dealing room as regards Treasury and Derivatives activity are selected on the basis of their external ratings by three rating agencies (Fitch, Moody's and Standard & Poor's) that resulted in an internal AXA rating. They must have a minimum AXA rating of A-. For all long-term derivatives a Collateral Settlement Agreement is required

<b>Categorisation of exposures</b> in mio EUR	<b>Credit-rating</b>	<b>31.12.2013</b>	<b>Risk position 31.12.2013</b>
<b>Central governments</b>	AAA to AA-		4403.2
	A+ to A-		-
	BBB+ to BBB-		634.0
	BB+ to BB-		15.8
	None		-
	<b>Total</b>	<b>59.26%</b>	<b>5053.1</b>
<b>Local governments</b>	Total	0.00%	-
<b>Public entities</b>	AA+	30.75%	2622.1
<b>Financial institutions</b>	AAA to AA-		219.8
	A+ to A-		-
	BBB+ to BBB-		-
	BB+ to BB-		-
	B+ to B-		-
	None		189.9
	<b>Total</b>	<b>4.80%</b>	<b>409.7</b>
<b>Companies</b>	AAA to AA-		11.5
	A+ to A-		-
	BBB+ to BBB-		-
	B+ to B-		-
	<b>Total</b>	<b>0.13%</b>	<b>11.5</b>
<b>Undertakings for collective investments</b>	Total	0.00%	-
<b>Structured products</b>	AAA to AA-		180.3
	A+ to A-		126.5
	BBB+ to BBB-		118.1
	BB+ to BB-		5.8
	B+ to B-		-
	C		0.0
	D		-
	None		-
	<b>Total</b>	<b>5.05%</b>	<b>430.7</b>
<b>TOTAL</b>		<b>100.00%</b>	<b>8527.1</b>

#### Market risk

The dealing room works with a strict limit framework, approved by the management committee. This framework is based on sensitivity analyses and Value-at-Risk, both monitored by the Risk Management Team on a daily and "intraday" basis. The HUB activity of the dealing room is subjected to its own specific "Value-at-Risk" but this is included in the global limit framework that was approved by the management committee. The economic capital of the market risk represents 1.72% of the bank's total economic capital before correlation.

#### Cash flow and Fair Value interest rate risk

Cash flow and fair value interest rate risks and fair value interest rate risks occur with interest fluctuations on the financial markets. Interest rate risk is the sensitivity of the bank to adverse movements in interest rates. Accepting and managing this risk belongs to a bank's normal management activities. When analysing the interest risk, repricing risk, risk on future transformation of the interest curve into a higher slope, basis risk and optionalities that are, for example, contained in the balance lines must be taken into account as well as the current curve position. It impacts the bank's income as well as its value.

On the asset side we note the following main headings for AXA Bank Europe:

- Mortgage loan portfolio of approximately EUR 13.8 billion (on a total of EUR 17.8 billion credit granting). Other credit types are of the personal loan and investment credit types;
- The financial assets available for sale for EUR 8.6 billion.

We have taken down the following significant balance sheet entries on the liability side:

- The regulated saving accounts for EUR 10.7 billion;
- The bank bond/time deposit account portfolio with fixed interest rate had a volume of approximately EUR 3.4 billion;
- The call deposits increase to EUR 2.6 billion;
- At the end of December 2013, the Medium Term Notes portfolio spent by AXA Bank Europe totalled EUR 1.4 billion;
- The portfolio spent Covered Bonds amounts to EUR 2.8 billion;
- The derived instruments such as swaps, futures, caps and swaptions mainly serve as a reduction for the interest rate risk profile described above .

#### *Integration of interest rate risks related to the branches*

Interest rate risks (including those of the branches) are managed globally at head office level. This ensures that global indicators can be calculated that allow the interest rate risks to be managed that are submitted to the ALCO (Assets and Liabilities Comité) that meets on a monthly basis.

#### *Liquidity risk*

Funding liquidity risk is the risk that the bank will not be able to adequately satisfy both expected and unexpected current and future cash flows without compromising daily transactions or the bank's financial status.

Market liquidity risk is the risk that the bank is unable to easily compensate for or eliminate a position at normal market price due to insufficient market depth or a disruption in the market.

AXA Bank Europe mainly uses 3 liquidity indicators:

- The NBB Liquidity Indicator (NBB LI) is the regulatory liquidity indicator. This can be expressed as a percentage and in excess liquidity, which are 2 complementary perspectives on the liquidity position.
- There are 2 ILSs (Internal Liquidity Stresses) that are created for internal use. Both indicators use specific, tailor-made stress scenarios. These scenarios concern stresses on the credit spreads, rating downgrades, equity market, foreign exchange rates and swap rate. The most significant difference between both indicators is the movement of the swap rate, where the swap rate drops under ILS 1 and rises under ILS 2.

#### *Fair value of financial assets and liabilities*

##### *Fair value in relation to retail activity*

###### Fair value hedges

In order to clarify the close link between fixed mortgage loans and their related hedges through payer swaps in accounting reporting, a fair value hedge model is used that was developed specially for this purpose.

###### Fair value calculation

The fair value of the retail products is calculated in a number of steps:

- First, the future cash flows are calculated based on product features (client's interest rate, payment frequency, etc.). For products for which duration is unknown such as saving and current accounts, duration is assumed;

— These cash flows are subsequently adjusted for retail credits in order to take into account early repayments (4% on an annual basis for housing and investment credits; 10% on an annual basis for instalment loans);

— The embedded caps and floors in variable mortgage loans have been taken into account in the calculation of the fair value that is based on the Monte Carlo technique. In a nutshell, a group of interest scenarios has been generated. The cash flows of the mortgage loans are simulated in each of these scenarios while taking into account the caps/floors: for example, the reset customer rate will depend on the simulated market rate, but shall not be higher than the contractually embedded cap linked to the mortgage loan. The fair value of the portfolio is determined by taking the average of the discounted cash flows in the Monte Carlo scenario.

Lastly, the (adjusted) cash flows are discounted on the basis of the IRS curve. The IRS curve is adjusted by the spread of costs for each product to take into account the control costs of that product.

#### *Fair value with respect to financing activities (treasury)*

The financial instruments are subdivided into 3 categories:

The first element consists of the financial instruments for which fair value is determined based on market prices in an active market. 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 for the second category. These rating techniques make use of market data such as interest curves and volatility data. In some cases AXA BANK makes 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 third category concerns financial instruments for which the fair value is not based on observable market data. We can find the following elements in the second category:

##### Assets

##### Receivables from other bankers

Receivables from other bankers include interbank investments and reverse repo transactions.

The estimated fair value is based on discounted cash flows at current market conditions.

##### Loans and receivables from clients

These loans and receivables are recognised for their net carrying amount, after depreciation. The estimated fair value of loans and receivables represents the discounted amount of the future expected cash flows. These expected cash flows are discounted in accordance with current market conditions, thus determining the fair value.

##### Liabilities

##### Deposits and borrowings

The estimated fair value of fixed-yield deposits, repo transactions and other fixed-yield borrowings without quoted market price is based on discounted cash flows at current market conditions.

##### Issued debt instruments

For issued certificates of deposit a discounted cash flow model is used based on a current yield curve applicable to the remaining term of the instrument until the expiry date.

#### *Capital management*

AXA Bank Europe meets EU requirements with regard to solvency. These European regulations have been included in Belgian legislation and the NBB monitors compliance. The required information is transmitted on a quarterly basis.

The statutory capital is broken down into three tiers:

— Tier 1 capital: share and reserve capital including reinvested earnings. Affected provisions, overfunding of pension commitments and unrealised depreciation of the fixed available-for-sale income portfolio are deducted;

— Tier 2 capital: subordinated loans, perpetual subordinated debts and unrealised surplus values of the fixed available-for-sale income portfolio;

— Tier 3 capital only to cover market risk.

The regulatory capital differs depending on the approach to credit risk. If the Internal Ratings-Based (IRB) approach is applied, a distinction must be made between provisions and IRB estimates of anticipated losses on

the off balance sheet items. A surplus of provisions may be included in the Tier 1 capital. A shortage of provisions must be deducted from the regulatory capital (50% Tier 1, 50% Tier 2).

The weighted risk volume for the Belgium retail credit portfolio credit risk is determined according to the IRB. AXA Bank Europe developed the required models for this. At the end of 2013, the NBB decided to apply a 5% add-on to the Retail Real Estate in Belgium for the Belgian banks. Securitisation positions (mortgage backed) are also processed according to the IRB approach. The Standard Approach (SA) is applied on the remaining assets, primarily the investment portfolio and the retail activities in Hungary, which is determined by means of risk weighting, which differ depending on the credit assessment, the category and nature of each asset and counterparty, taking into account credit protection and guarantees. A conversion factor is applied as required to the entries that fall outside the off-balance-sheet after which they are dealt with in a similar manner.

The market risk is determined according to the SA. The requirement for operational risk follows the BIA (basic indicator approach).

The BASEL-I solvency ratio is calculated and used by AXA Bank Europe as "floor".

AXA Bank Europe participates in the quarterly QIS (Quantitative Impact Study) exercise that allows the NBB to assess the impact of the new CRD 4/CRR. This comes into effect in 2014.

AXA Bank Europe met capital requirements at the end of 2013.

AXA Bank Europe took different measures to improve its CRD ratio during the course of 2013 to, thus, meet the even stricter capital requirements in 2014.

#### 8.4.2 General notes on AXA Bank Europe SA results

##### Production volumes

<b>Net inflow</b> (incl. Euro-bonds, Structured funds,...) (Constant FX)	<b>2012</b>	<b>2013</b>
<i>in mio EUR</i>		
Belgium	1 373	861
Hungary	72	-17
Czech Republic	233	-741
Slovakia	59	-70
<b>TOTAL NET INFLOW</b>	<b>1 738</b>	<b>33</b>

AXA Bank Europe's total net inflow stood at EUR 33 million, a reduction of EUR 1 705 million against 2012; two third of this reduction is attributable to the closure of the Czech and Slovak branches. In Belgium, AXA Bank Europe achieved a solid net inflow on its balance sheet (excl. Euro-bonds, Structured funds,...) with EUR 892 million, compared with EUR 1 338 million in 2012. The deposit accounts (net inflow EUR 1 028 million), and the EMTN program (Euro Medium Term Notes), involving four successful issuances for a total of EUR 125 million made a positive contribution to this increase. Not all Certificate time deposit accounts that reached maturity were renewed (net outflow EUR 303 million). On 21 May 2013 AXA signed a partner agreement with UniCredit Bank (UCB) in the Czech Republic and Slovakia. Under this agreement, 120 000 AXA Banking clients in the Czech Republic and Slovakia were invited to open an account with UCB. UCB has undertaken to distribute AXA insurance products through its network in these two countries. AXA Banking activities in these 2 countries were terminated during the 2nd half of 2013. AXA Bank Europe branch in Hungary maintained a relatively stable base of deposits and savings accounts, through periodic adaptation of its interest rate on clients' accounts.

<b>Gross credit production</b> (Constant FX)	<b>2012</b>	<b>2013</b>
<i>in mio EUR</i>		
Belgium	3 425	2 846
Hungary	1	0
Czech Republic	1	0
<b>TOTAL GROSS CREDIT PRODUCTION</b>	<b>3 427</b>	<b>2 846</b>

AXA Bank Europe's gross credit production reached EUR 2 846 million, compared with EUR 3 427 million in 2012. In Belgium, AXA Bank Europe mainly focused on Retail banking. AXA Bank Europe's main credit products are mortgage loans. In this segment, the bank's market share evolved from 9.91% at the end of 2012 to 9.32% as at 31 December 2013, in compliance with the bank's selective risk underwriting policies, which are aimed at high quality clients and simple products. In 2013, the Belgian bank's market share in consumer loans dropped to 5.33% as a result of a tightened credit policy.

### *Results*

AXA Bank Europe's net consolidated result in 2013 amounts to EUR -12.22 million, with a consolidated balance sheet totalling EUR 36 885.7 million, against EUR -23.4 million the year before and a consolidated balance sheet total of EUR 39 220.1 million in 2012. This rise in the result was primarily due to the reduced provisions for loan losses in Hungary, which were partially offset by the costs involved in the closing of the Czech and Slovakian branches. Belgium continues to remain the largest Retail activity of AXA Bank Europe, contributing 70% (before ALM allocation) of the net banking revenues and the majority of the consolidated results. The activity is continuing to grow, showing a balanced rise of the Retail assets and liabilities. The results of the branches, restated in accordance with IFRS standards and converted into euros where different currencies are used, are as follows:

— The Hungarian branch: EUR -26.0 million in 2013 compared against EUR -39.6 million in the previous year. The Hungarian economy has been going through a crisis in recent years. This has resulted in rising unemployment rates, diminishing real property prices and the devaluation of the Hungarian Forint (HUF). These elements together with a large proportion of mortgage loans denominated in foreign currencies, primarily CHF, have sparked an increase in the number of defaults. In turn this has put further pressure on real property prices which have only diminished since. Over the latest few years, the Hungarian government has put in place a string of measures aiming at protecting mortgage borrowers. In 2011, the government implemented a scheme (GRS 1) that enabled households to repay their mortgage loan in foreign currency at a favorable exchange rate. This scheme prompted a significant volume in accelerated redemptions. In 2012, a supplementary scheme (GRS 2) was put in place that enables households – subject to certain conditions – to take out a "cap" on the foreign exchange rate for their mortgage loan in CHF, EUR or JPY for a 5-year period. The "cap" consists in allowing households to repay the principal and the interests on their mortgage over 5 years at an exchange rate imposed by the government. For the principal, after 5 years the difference between the actual and the imposed exchange rate as yet remains to be repaid by the client in tranches. Over and above a certain exchange rate, the government steps in to compensate the banks for the redemption of the principal and the redemption of the interests. For the latter accommodating gesture to the banks, the government has imposed a "contribution for financial institutions" on the banks. The total (gross) credit portfolio of the Hungarian branch stands at HUF 341 billion (EUR 1.1 billion) as at 31 December 2013. EUR 669 million or 58% of this is denominated in foreign currencies. This amount loans issued in foreign currencies is split as follows: EUR 658 million in loans in CHF and EUR 11 million in loans denominated in EUR. In Hungary, as at 31 December 2013 the rate of defaulted loans stood at 21.69%, the provisioning rate at 15.34% and the net loss at EUR -26.0 million (EUR -39.62 million in 2012).

— The Czech branch: EUR -12.04 million in 2013 compared against EUR -6.5 million in 2012.

— The Slovakian branch: EUR -3.5 million compared against EUR -8.7 million in the previous year..

### **8.4.3 Consolidated Annual Audited Financial Statements of AXA Bank Europe SA**

Under the Belgian Royal Decree of 5 December 2004, Belgian credit institutions and investment firms are required to apply IFRS when drawing up their financial statements for financial years commencing on or after 1 January 2006. AXA BANK has therefore produced and published financial statements in accordance with IFRS from 1 January 2006 onwards.

The notes to the consolidated annual audited financial statements, including a description of the accounting policies, are set out on pages 12 to 24 of AXA BANK's 2013 annual report, which is in annex to this Base Prospectus.



The consolidated financial information below has been extracted without material adjustment from the consolidated audited financial statements of AXA BANK for the years ended 31 December 2013 and 31 December 2012 which were prepared in accordance with IFRS.

Audited Consolidated Balance Sheet of AXA BANK as of 31 December 2013 and 31 December 2012

**Consolidated Balance Sheet - Assets**

in '000 EUR	31.12.2013	31.12.2012
Cash and balances with central banks	415 802	1 216 942
Financial assets held for trading	2 982 637	4 923 042
Financial assets designated at fair value through profit or loss	4 864	23 025
Available-for-sale financial assets	8 644 295	7 746 051
Loans and receivables (including finance leases)	24 175 590	24 481 585
Held-to-maturity investments		
Derivatives - hedge accounting	187 109	188 269
Fair value changes of the hedged items in portfolio hedge of interest rate risk	260 861	424 519
Tangible assets	45 753	47 194
— Property, Plant and Equipment	45 753	47 194
— Investment property		
Intangible assets	7 840	13 760
— Goodwill		
— Other intangible assets	7 840	13 760
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)		
Tax assets	65 715	51 960
— Current tax assets	11	5
— Deferred tax assets	65 704	51 955
Other assets	95 284	103 748
Non-current assets and disposal groups classified as held for sale		
<b>TOTAL ASSETS</b>	<b>36 885 750</b>	<b>39 220 095</b>

**Consolidated Balance Sheet - Liabilities**

in '000 EUR	31.12.2013	31.12.2012
Deposits from central banks		
Financial liabilities held for trading	2 889 266	4 821 981
Financial liabilities designated at fair value through profit or loss	1 387 504	1 062 342
Financial liabilities measured at amortised cost	21 625 633	22 447 452
— Deposits from Credit institutions	612 882	1 186 292
— Deposits from Other than credit institutions	16 890 259	16 945 047
— Debt certificates including bonds	2 955 117	2 965 480
— Subordinated liabilities	250 003	354 345
— Other financial liabilities	917 372	996 288
Financial liabilities associated with transferred assets	9 259 728	8 792 961
Derivatives - hedge accounting	535 224	796 176
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	100 502	156 558
Provisions	201 131	234 196
Tax liabilities	33 843	37 186
— Current tax liabilities	30 236	29 187
— Deferred tax liabilities	3 607	7 999
Other liabilities	56 038	54 992
Liabilities included in disposal groups classified as held for sale		
Share capital repayable on demand (e.g. cooperative shares)		
<b>TOTAL LIABILITIES</b>	<b>36 088 869</b>	<b>38 403 844</b>

## Consolidated Balance Sheet - Equity

in '000 EUR

	31.12.2013	31.12.2012
Share capital	546 318	546 318
— Paid in capital	546 318	546 318
— Called up share capital		
Share premium		
Other Equity		
— Equity component of combined financial instruments		
— Other		
Revaluation reserves and other valuation differences	-34 746	-33 033
— Tangible assets		
— Intangible assets		
— Hedge of net investments in foreign operations (effective portion)		
— Foreign currency translation	3 267	2 313
— Cash flow hedges (effective portion)	-19 903	-27 158
— Available for sale financial assets	-2 224	26 771
— Non-current assets and disposal groups held for sale		
— Other items	-15 885	-34 959
Reserves (including retained earnings)	297 532	326 343
Treasury shares		
Income from current year	-12 223	-23 377
Interim dividends		
Minority interest		
— Revaluation reserves and other valuation differences		
— Other items		
<b>TOTAL EQUITY</b>	<b>796 882</b>	<b>816 251</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>36 885 750</b>	<b>39 220 095</b>

Audited Consolidated Statement of Income of AXA BANK as of 31 December 2013 and 31 December 2012

**Consolidated income statement**

in '000 EUR

	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>CONTINUING OPERATIONS</b>		
<b>Financial &amp; operating income and expenses</b>	<b>323 530</b>	<b>295 292</b>
Interest income	2 409 068	3 183 222
— Cash & balances with central banks	628	1 280
— Financial assets held for trading (if accounted for separately)	1 559 721	2 297 389
— Financial assets designated at fair value through profit or loss (if accounted for separately)	592	1 644
— Available-for-sale financial assets	146 725	126 655
— Loans and receivables (including finance leases)	636 342	673 855
— Held-to-maturity investments		
— Derivatives - Hedge accounting, interest rate risk	65 061	82 399
— Other assets		
(Interest expenses)	2 160 137	2 949 430
— Deposits from central banks		
— Financial liabilities held for trading (if accounted for separately)	1 537 872	2 277 618
— Financial liabilities designated at fair value through profit or loss (if accounted for separately)	31 983	19 193
— Financial liabilities measured at amortised cost		452 845
Deposits from credit institutions	1 415	13 243
Deposits from non credit institutions	276 527	318 915
Debt certificates	82 334	76 303
Subordinated liabilities	14 877	16 528
Other financial liabilities	21 410	27 856
— Derivatives - Hedge accounting, interest rate risk	193 719	199 774
— Other liabilities		
Expenses on share capital repayable on demand		
Dividend income	213	1 647
— Financial assets held for trading (if accounted for separately)		
— Financial assets designated at fair value through profit or loss (if accounted for separately)	213	307
— Available-for-sale financial assets		1 340
Fee and commission income	41 336	39 513
(Fee and commission expenses)	48 287	55 861
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	109 975	31 174
— Available-for-sale financial assets	108 568	26 371
— Loans and receivables (including finance leases)	1 407	5 115
— Held-to-maturity investments		
— Financial liabilities measured at amortised cost		-312
— Other		
Gains (losses) on financial assets and liabilities held for trading (net)	-51 277	72 814
— Equity instruments and related derivatives	-3 615	-2 266
— Interest rate instruments and related derivatives	-28 442	54 751
Foreign exchange trading	-19 300	20 329
— Credit risk instruments and related derivatives	80	
— Commodities and related derivatives		
— Other (including hybrid derivatives)		

## Consolidated income statement

in '000 EUR

	31.12.2013	31.12.2012
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	46 031	-69 369
Gains (losses) from hedge accounting	8 061	12 599
Exchange differences, net	34 319	-3 176
Gains (losses) on derecognition of assets other than held for sale, net	24	1 723
Other operating net income	26 265	30 436
<b>Administration costs</b>	<b>282 333</b>	<b>280 323</b>
— Personnel expenses	129 403	124 421
— General and administrative expenses	152 930	155 902
<b>Depreciation</b>	<b>7 317</b>	<b>12 027</b>
— Property, Plant and Equipment	2 434	2 313
— Investment Properties		
— Intangible assets (other than goodwill)	4 883	9 714
<b>Provisions</b>	<b>-6 894</b>	<b>-8 527</b>
<b>Impairment</b>	<b>61 728</b>	<b>39 548</b>
Impairment losses on financial assets not measured at fair value through profit or loss	57 987	39 548
— Financial assets measured at cost (unquoted equity)		
— Available for sale financial assets	-2 364	-12 649
— Loans and receivables (including finance leases)	60 352	52 197
— Held to maturity investments		
Impairment on	3 741	
— Property, plant and equipment	133	
— Investment properties		
— Goodwill		
— Intangible assets (other than goodwill)	3 607	
— Investments in associates and joint ventures accounted for using the equity method		
— Other		
<b>TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>-20 954</b>	<b>-28 080</b>
Tax expense (income) related to profit or loss from continuing operations	-8 732	-4 703
<b>TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>-12 223</b>	<b>-23 377</b>
Total profit or loss after tax from discontinued operations		
<b>TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST</b>	<b>-12 223</b>	<b>-23 377</b>
Profit or loss attributable to minority interest		
<b>NET PROFIT OR LOSS</b>	<b>-12 223</b>	<b>-23 377</b>

## Consolidated statement of comprehensive income

in '000 EUR

	31.12.2013	31.12.2012
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>-12 223</b>	<b>-23 377</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Tangible assets		
Intangible assets		
Hedge of net investments in foreign operations (effective portion)		
— Gains/losses from changes in fair value through equity		
— Transferred to profit or loss		
— Other reclassifications		
Foreign currency translation	954	-14 595
— Translation gains/losses taken to equity	954	-14 595
— Transferred to profit or loss		
— Other reclassifications		
Cash flow hedges (effective portion)	7 254	1 949
— Valuation gains/losses taken to equity	7 254	1 949
— Transferred to profit or loss		
— Transferred to initial carrying amount of hedged items		
— Other reclassifications		
Available-for-sale financial assets	-28 995	228 866
— Valuation gains/losses taken to equity	-43 358	234 670
— Transferred to profit or loss	14 363	5 804
— Other reclassifications		
Non-current assets and disposal groups held for sale		
— Valuation gains/losses taken to equity		
— Transferred to profit or loss		
— Other reclassifications		
Actuarial gains (losses) on defined benefit pension plans	19 074	-26 918
Share of other comprehensive income of entities accounted for using the equity method		
Other items		
Income tax relating to components of other comprehensive income		
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-13 935</b>	<b>165 925</b>
Attributable to equity holders of the parent	-13 935	165 925
Attributable to minority interest		
<b>CHANGES IN EQUITY RELATING TO PRIOR PERIODS</b>		
Restated balance		
— Attributable to equity holders of the parent		
— Attributable to minority interest		
Effects of changes in accounting policy		
— Attributable to equity holders of the parent		
— Attributable to minority interest		

#### 8.4.4 Audited Cash Flow Statements of AXA Bank Europe SA

Audited Consolidated Cash Flow Statement of AXA BANK as at 31 December 2013 and 31 December 2012

in '000 EUR	31.12.2013	31.12.2012
<b>OPERATING ACTIVITIES</b>		
Net profit (loss)	-12 223	-23 377
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	-11 715	186 952
— (Current and deferred tax income, recognised in income statement)		
— Current and deferred tax expenses, recognised in income statement	-8 732	-4 703
— Minority interests included in group profit or loss		
— Unrealised foreign currency gains and losses	954	-14 595
<b>INVESTING AND FINANCING</b>		
— Depreciation	11 058	12 027
— Impairment		
— Provisions net	-6 894	-8 526
— Unrealised fair value (gains) losses through Profit or loss, i.e. for investment property, PPE, intangible assets,....		
— Net gains (losses) on investments, net (i.e. HTM, associates, subsidiaries, tangible assets,....)		
<b>OPERATING</b>		
— Net unrealised gains (losses) from cash flow hedges	7 254	1 950
— Net unrealised gains (losses) from available-for-sale investments	-28 995	228 866
— Other adjustments	13 640	-28 067
<b>Cash flows from operating profits before changes in operating assets and liabilities</b>	<b>-23 937</b>	<b>163 575</b>
Increase (Decrease) in working capital (excl. cash & cash equivalents):	-678 364	-229 951
Increase (decrease) in operating assets (excl. cash & cash equivalents):	1 335 545	-2 677 060
— Increase (decrease) in balances with central banks		-265
— Increase (decrease) in loans and receivables	305 995	-2 329 345
— Increase (decrease) in available-for-sale assets	-902 078	879 891
— Increase (decrease) in financial assets held for trading	1 940 405	-1 142 149
— Increase (decrease) in financial assets designated at fair value through profit or loss	18 162	-20 158
— Increase (decrease) in asset-derivatives, hedge accounting	1 160	73 603
— Increase (decrease) in non-current assets held for sale		
— Increase (decrease) in other assets (definition balance sheet)	-28 099	-138 637
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	-2 013 909	-2 907 011
— Increase (decrease) in deposits from central banks		
— Increase (decrease) in deposits from credit institutions	-573 410	222 192
— Increase (decrease) in deposits (other than credit institutions)	-54 788	69 839
— Increase (decrease) in debt certificates (including bonds)	-10 363	901 013
— Increase (decrease) in financial liabilities held for trading	-1 932 715	-1 226 874
— Increase (decrease) in financial liabilities designated at fair value through profit or loss	325 162	684 193
— Increase (decrease) in liability-derivatives, hedge accounting	-153 349	205 657
— Increase (decrease) in other financial liabilities	387 851	-3 570 220
— Increase (decrease) in other liabilities (definition balance sheet)	-2 298	-192 811
<b>Cash flows from operating activities</b>	<b>-702 302</b>	<b>-66 376</b>
Income taxes (paid) refunded	-3 096	-205
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-705 398</b>	<b>-66 581</b>

in '000 EUR

31.12.2013

31.12.2012

**INVESTING ACTIVITIES**

(Cash payments to acquire tangible assets)	-1 127	-2 118
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-2 570	-4 969
Cash receipts from the sale of intangible assets		
(Cash payments for the investment in associates, subsidiaries, joint ventures net of cash acquired)		-6 937
Cash receipts from the disposal of associates, subsidiaries, joint ventures net of cash disposed		
(Cash outflow to non-current assets or liabilities held for sale)		
Cash inflow from the non-current assets or liabilities held for sale		
(Cash payments to acquire held-to-maturity investments)		
Cash receipts from the sale of held-to-maturity investments		
(Other cash payments related to investing activities)		
Other cash receipts related to investing activities		
<b>Net cash flow from investing activities</b>	<b>-3 697</b>	<b>-14 024</b>

**FINANCING ACTIVITIES**

(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-104 342	-17 925
(Cash payments to redeem shares or other equity instruments)		
Cash proceeds from issuing shares or other equity instruments		
(Cash payments to acquire treasury shares)		
Cash proceeds from the sale of treasury shares		
Other cash proceeds related to financing activities		
(Other cash payments related to financing activities)		
<b>Net cash flow from financing activities</b>	<b>-104 342</b>	<b>-17 925</b>

Effect of exchange rate changes on cash and cash equivalents

	-813 437	-98 530
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**CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD**

	<b>1 354 312</b>	<b>1 452 842</b>
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**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**

	<b>540 876</b>	<b>1 354 311</b>
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Components of cash and cash equivalents:

— On hand (cash)	76 916	68 632
— Cash and balances with central banks	338 886	1 148 309
— Loans and receivables	25 154	130 140
— Held-to-maturity investments		
— Available-for-sale assets	99 919	7 230
— Financial assets held for trading		
— Financial assets designated at fair value through profit or loss		
— Other short term, highly liquid investments (Bank overdrafts which are repayable on demand, if integral part of cash management)		

<b>Total cash and cash equivalents at end of the period</b>	<b>540 876</b>	<b>1 354 311</b>
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in '000 EUR

31.12.2013

31.12.2012

Of which: amount of cash and cash equivalents held by the enterprise, but not available for use by the group

Undrawn borrowing facilities (with breakdown if material)

Supplemental disclosures of operating cash flow information:

— Interest income received	2 409 068	3 183 222
— Dividend income received	213	1 647
— Interest expense paid	2 160 137	2 949 430

Supplemental disclosures of acquisitions/disposals of subsidiaries

— Total purchase or disposal consideration		
— Portion of purchase or disposal consideration discharged by means of cash or cash equivalents		
— Amount of cash and cash equivalents in the subsidiaries acquired or disposed		
— Amount of assets and liabilities other than cash or cash equivalents in the subsidiaries acquired or disposed of		

Non-cash financing and investing activities

— Acquisition of assets by assuming directly related liabilities or by means of a finance lease		
— Acquisition of an enterprise by means of an equity issue		
— Conversion of debt to equity		



## 8.5 Legal and Arbitration Proceedings

In 2013, AXA Bank Europe has been indicted in connection with credits marketed to French property professionals in the '80s by Anhyp. AXA BANK is contesting the legitimacy and is currently waiting on decision regarding the referral to the criminal court.

There have been no other governmental, legal and arbitration proceedings (during a period covering the last 12 months) which may have, or have had in the recent past, significant effects on AXA BANK's financial position or profitability.

## 8.6 Rating

Unless specified otherwise in the relevant Final Terms, the Notes are not rated.

AXA BANK has the following ratings:

- S&P rating: 'A/A-1' with 'Stable' outlook (19 December 2012)
- Moody's: A2/P-1 with 'Stable' outlook (25 May 2014)

## 9 Terms and Conditions of the Notes

### *(Annex V.4 of Regulation (EC) 809/2004)*

The following is the text of the terms and conditions (the "Terms and Conditions", each chapter or subchapter individually referred to as "Condition") of the Notes, subject to completion and amendment and as supplemented or varied in accordance with the relevant provisions of the Final Terms. In the event of any inconsistency between the provisions of the Final Terms and the other provisions of this Programme, the Final Terms will prevail. All capitalized terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

References in the Terms and Conditions to the Notes are to the Notes of one Tranche only, not to all Notes that may be issued under the Programme.

The Notes are issued under an agency agreement dated 21 September 2010 (as amended or supplemented as at the date of issue of the Notes (the "Issue Date"), referred to as the "Agency Agreement"), between ABF(NL) as Issuer, AXA BANK as Guarantor, the Fiscal Agent, the Principal Paying Agent, the Domiciliary Agent, the Paying Agent (together with the Principal Paying Agent the "Paying Agents") and the Calculation Agent.

The Notes will be issued in tranches (each a "Tranche"). A "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (from the date on which such consolidation is expressed to take effect), except for their respective Issue Date, Interest Commencement Dates, first payment of interest, principal amount of the Series, and/or Issue Prices

### 9.1 Form, Denomination and Title

The Notes issued by ABF (NL) are issued in bearer form ("Bearer Notes") in the Denominations specified in the relevant Final Terms. The Denomination of ABF (NL) Notes will be at least EUR 1,000. They will be represented by a permanent global note, deposited with BIL as common depositary for Euroclear and Clearstream Luxembourg and will not be exchangeable for definitive notes, unless specified otherwise in the relevant Final Terms.

The ABF (NL) Notes will not be physically delivered. They will be held in a securities account.

The Notes issued by AXA BANK are issued in dematerialized form ("Dematerialised Notes") in Denomination(s) specified in the relevant Final Terms.

Dematerialised Notes are issued in dematerialized form :

- (i) via a book-entry system maintained in the records of the National Bank of Belgium ("BNB") as operator of the BNB System in accordance with Article 468 and following of the Belgian Companies Code and will be credited to the accounts held with the BNB System by AXA BANK, Euroclear Bank S.A./N.V. ("Euroclear"), Clearstream Banking S.A. ("Clearstream, Luxembourg") or other BNB System participants for credit by AXA BANK, Euroclear,

- Clearstream, Luxembourg or other BNB System participants to the securities accounts of their subscribers, or,
- (ii) via a book-entry system maintained in the records of an authorized financial institution will be appointed as “*Hoofd van de Piramide*”-“*Tête de Pyramide*”, in accordance with the terms of de Circular of the Financial Services and Markets Authority of 26 February 2007 (PPB-2007-4-CPB).

Transfer of Dematerialised Notes will be effected only through records maintained by the BNB System, AXA BANK, Euroclear and Clearstream, Luxembourg or other BNB System participants and in accordance with the applicable procedures of the BNB System, Euroclear and Clearstream, Luxembourg or other BNB System participants or through records maintained by AXA BANK in accordance with of the applicable procedures of AXA BANK.

The Notes will not be physically delivered. They will be held in a securities account.

AXA BANK will not charge any fees for Notes held in an AXA Bank securities account, or for the opening of such account.

Title to the ABF (NL) Notes shall pass by transfer to or from the securities account. In these Terms and Conditions, the “Noteholder” means the person who has the Notes on his or her securities account.

## 9.2 Pay Off Structures

### 9.2.1 Introduction

The pay-offs allowed in the Note Issuance Program can be divided into 5 main categories in function of the calculation and payment of Interest (periodic or not), the calculation methodology of the amount paid at redemption of the Notes (the “Redemption Amount”) (one calculation and payment at maturity, or a sum of periodic calculation paid at maturity) and the settlement of the Redemption Amount (cash or physical). These categories are:

- A. Structures with a periodic payment;
- B. Structures with one payment at maturity with cap;
- C. Structures with one payment at maturity without cap;
- D. Structures with a sum of periodic calculations and payment at maturity; and
- E. Structures with a periodic payment and physical settlement.

The formulas proposed below try to be general formulas meant to be used for a lot of different types of products. In accordance with the Prospectus Regulation, the Issuer can decide not to use some components of the formula by setting these components on 0 or 1. The Final Terms will specify which formula(s) will be used for a specific product issued and which specific parameters go into the formula. If a component of the formula is 0 or 1, and the respective component is not used for a specific issue of Notes, it is possible to render the formula in the Final Terms without the unapplied component(s).

Whereby for each of the above described structures:

- it is important to notice that there is no requirement for a mandatory direct link of observation dates / periods and payment dates;
- all of these structures could be made callable (a right for the issuer to redeem the notes before final maturity at a value lower than, equal to or higher than par);
- results of intermediate calculations calculated according the formula(e) above and the principles of Fixed Rate Notes and Floating Rate Notes can be combined to determine a Variable Linked Rate and/or Variable Linked (Redemption) Amount;
- optional switching between the pay-off structures during the life of the instruments can be specified in the Final Terms;
- the applicable provisions below relating to the respective Underlying will apply.

*(Each pay-off mechanism below is completed by a fictitious example for illustration only, being understood that for each pay-off structure other types of Underlyings and variations of the other variables (such as Interest Rates, Observation Periods,...) are possible.)*

## A. Structures with a periodic payment

The first category includes the products generating a periodic payment of Interest (fixed or variable) (the "Periodic Payment") and a Redemption Amount which can be equal or not to 100% of the capital invested less fees.

### Definition

The Periodic Payments can be calculated applying the next formula(s) [for n periods]:

$$(Participation Rate_i \times \max(X\%, \min(Performance_i, Y\%)) + Bonus_i)$$

The Redemption Amount at Maturity (period n) can be calculated applying the next formula:

$$Denomination + [Denomination \times (Participation Rate_i \times \max(X\%, \min(Performance_i, Y\%)) + Bonus_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used.

The Final Terms will furthermore specify:

- 1 How many periods (n) will be used and what formula relates to what period
- 2 Which underlying (the "Underlying") or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds) (as defined in the Final Terms).
- 3 Which sub formula will apply to calculate the Performance. This Performance can be:
  - a. a single fixing
  - b. a difference between 2 Underlyings:  $Underlying_1 - Underlying_2$
  - c.  $\frac{Final Price - Initial Price}{Initial Price}$  with or without reset of the Initial Price
  - d.  $\frac{Initial Price - Final Price}{Initial Price}$  with or without reset of the Initial Price
  - e.  $\frac{Final Price}{Initial Price}$
  - f.  $\sum_{j=1..n} w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{Final Price_j - Initial Price_j}{Initial Price_j}\right), Z\%\right)\right)$  with or without reset of the Initial Price, where  $w_{i,j}$  stands for weight (i) in period (j)

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4 If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5 If the value of some parameters depends on the level of the Underlying at a certain date or during a certain period (=condition).
- 6 How the  $Bonus_i$  is defined. The  $Bonus_i$  can be
  - a. a fixed rate
  - b. a fixed rate subject to a condition on the Underlying
  - c. a rate which is the result of a formula such as the formulas above.
  - d. a rate which is the result of a sum of formulas such as the formulas above.
- 7 What the Participation Rate will be.
- 8 What the floor X% will be.
- 9 What the cap Y% will be.
- 10 What daycount convention has to be applied.

### Examples

#### 1. Collared Floater (5 years, payment every 3 months)

##### Definition

In a Collared Floater, the Noteholder receives periodically a variable interest rate (linked to an Underlying). This rate is capped at a certain percentage (Y%) and floored at another level (X%). The Noteholder receives 100% of his invested capital at Maturity.

##### Product

Periodic payments:

1. Periods: 20
2. Underlying: Euribor3months
3. Performance will be a single fixing (subformula 3.a) is applicable). Fixing in advance (2 Business Days before start of the Interest Period)
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 100%
8. X% = 2.20% (annualized)
9. Y% = 5.00% (annualized)
10. Daycount: act/360, mod fol, adjusted

The formula for the Periodic Payments will be:

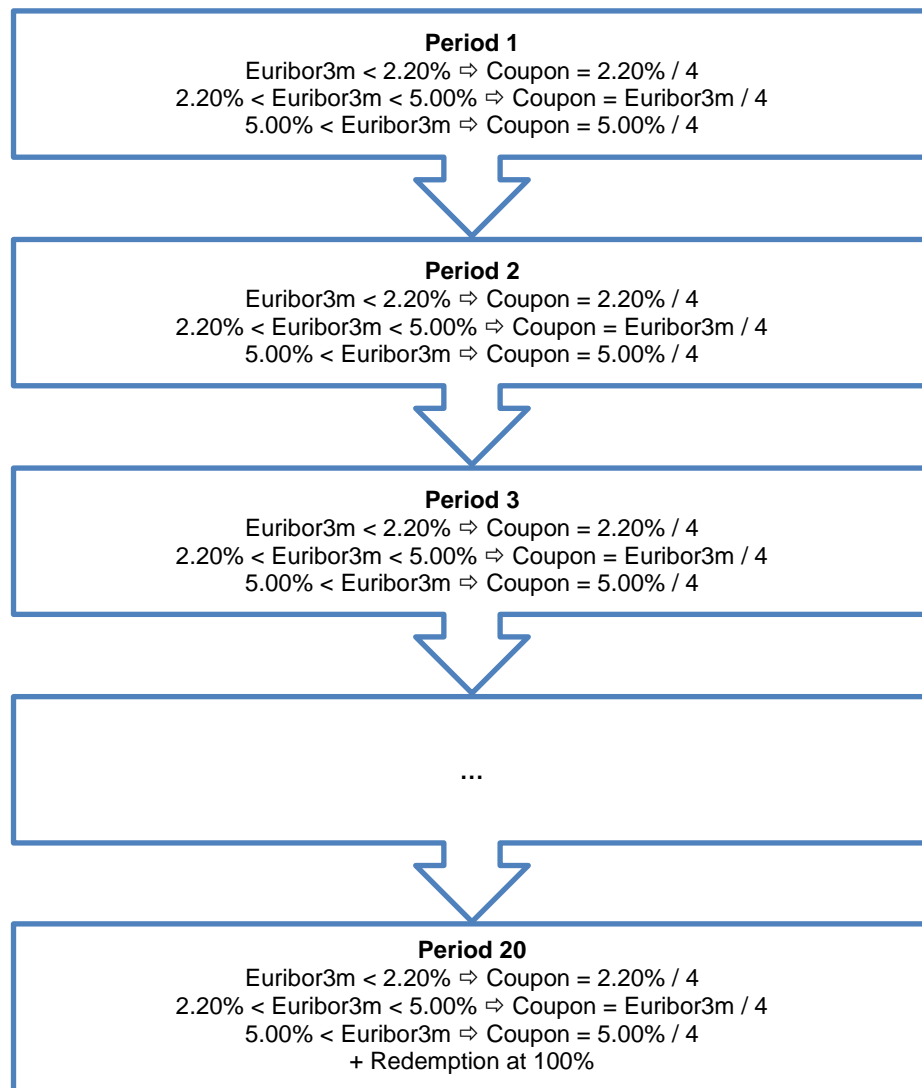
$$\begin{aligned} & (Participation Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (100\% \times \max(2.20\%, \min(Performance, 5.00\%)) + 0\%) \end{aligned}$$

Redemption Amount:

1. Not Applicable
2. Underlying: Euribor3months
3. Single fixing 2 Business Days before start of the Interest Period (subformula 3.a) is applicable).
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 0%
8. X% = 0%
9. Y% = 0%
10. No Daycount

The formula for the Redemption Amount will be:

$$\begin{aligned} & Denomination + [Denomination \times (Participation Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (0\% \times \max(0\%, \min(Performance_i, 0\%)) + 0\%)] \\ & = Denomination \end{aligned}$$



## 2. Target Memory Autocall

### Definition:

In a Target Memory Autocall, there is no right to receive 100% of the invested capital less fees at Maturity.

- If, on an Interest Payment Date, the Underlying (typically an index) has lost more than a certain percentage of its initial value (for example -30%), no Interests are paid and the Interests (for example, 7.50%) are recorded in the Memory which starts at zero.
- If the Underlying has not lost more than a certain percentage of its initial value (for example, -30%), the Interests and the memory are paid.
- If the Underlying is above a predefined level (typically its initial value), the Interests and the memory are paid and the Note is redeemed at par (autocallable).

At Maturity, if the Underlying is below a third predefined level (for example, -50%), the Redemption Amount is linked to the evolution of the Underlying, which means that investors will receive less than the invested capital, less fees. Otherwise, the Note is redeemed at par.

### Product

#### Periodic payments (i = 1 to 4):

1. Periods: 5
2. Underlying: SX5E

3. Performance will be  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Callable is applicable (Subdivision 4) is applicable) if  $\text{Performance}_i \geq 0\%$
5. Condition is applicable (Subdivision 5))
6.  $\text{Bonus}_i = -\sum_{w=1}^{i-1} \text{Formula}_w$  if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$
7. Participation Rate = period i (i = 1 to 4) if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$
8. X% = 7.50% if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$
9. Y% = 7.50% if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$
10. Daycount: 30/360, following, unadjusted

- If  $\text{Performance}_i \geq -30\%$  and  $\text{Performance}_i < 0\%$

The formula for the Periodic Payments will be:

$$\begin{aligned} & (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \\ & = \left( i \times \max(7.50\%, \min(\text{Performance}_i, 7.50\%)) - \sum_{w=1}^{i-1} \text{Formula}_w \right) \\ & = (i \times (7.50\%)) - \sum_{w=1}^{i-1} \text{Formula}_w \end{aligned}$$

- If  $\text{Performance}_i < -30\%$

The formula for the Periodic Payments will be:

$$\begin{aligned} & (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \\ & = (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 0\%) \\ & = 0 \end{aligned}$$

- If  $\text{Performance}_i \geq 0\%$  then the transaction terminates automatically (autocallable)

The formula for the Redemption Amount will be:

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (i \times \max(7.50\%, \min(\text{Performance}_i, 7.50\%)) - \sum_{w=1}^{i-1} \text{Formula}_w)] \\ & = \text{Denomination} + \left[ \text{Denomination} \times \left( i \times 7.50\% - \sum_{w=1}^{i-1} \text{Formula}_w \right) \right] \end{aligned}$$

Redemption Amount:

1. Periods: 5
2. Underlying: SX5E
3. Performance will be  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  (Subdivision 3.c) is applicable), no reset for the Initial Price
4. Call is activated if  $\text{Performance}_i \geq 0\%$
5. Conditions are activated
6.  $\text{Bonus}_i = -\sum_{w=1}^{i-1} \text{Formula}_w$  if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$
7. Participation Rate = 5% if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$  and  $\text{Performance}_i \geq -50\%$   
 $= 100\%$  if  $\text{Performance}_i < -50\%$
8. X% = 7.50% if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$  and  $\text{Performance}_i \geq -50\%$   
 $= 100\%$  if  $\text{Performance}_i < -50\%$
9. Y% = 7.50% if  $\text{Performance}_i \geq -30\%$   
 $= 0\%$  if  $\text{Performance}_i < -30\%$  and  $\text{Performance}_i \geq -50\%$   
 $= 100\%$  if  $\text{Performance}_i < -50\%$
10. Daycount: 30/360, following, unadjusted

- If  $Performance_i \geq -30\%$  and  $Performance_i < 0\%$

The formula for the Redemption Amount will be:

$$\begin{aligned}
 & Denomination + [Denomination \times (Participation Rate_i \times \max(X\%, \min(Performance_i, Y\%_i)) + Bonus_i)] \\
 & = Denomination + Denomination \times \left[ \left( 5\% \times \max(7.50\%, \min(Performance_i, 7.50\%)) \right) - \sum_{w=1}^{i-1} Formula_w \right] \\
 & = Denomination + \left[ Denomination \times \left( 5\% \times 7.50\% - \sum_{w=1}^{i-1} Formula_w \right) \right]
 \end{aligned}$$

- If  $Performance_i < -30\%$  and  $Performance_i \geq -50\%$

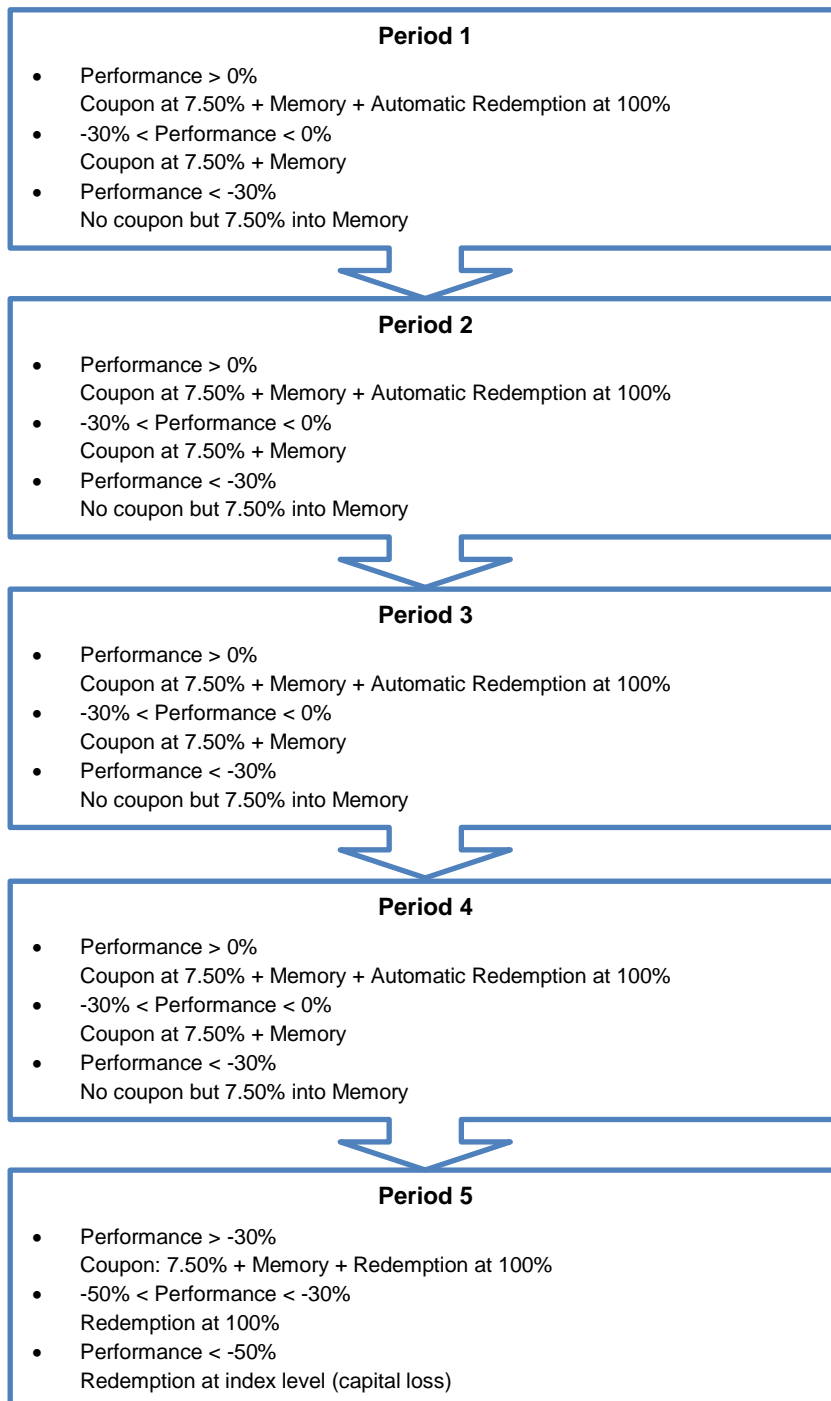
The formula for the Redemption Amount will be:

$$\begin{aligned}
 & Denomination + [Denomination \times (Participation Rate_i \times \max(X\%, \min(Performance_i, Y\%_i)) + Bonus_i)] \\
 & = Denomination + [Denomination \times (0\% \times \max(0\%, \min(Performance_i, 0\%)) + 0\%)] \\
 & = Denomination
 \end{aligned}$$

- If  $Performance_i < -50\%$

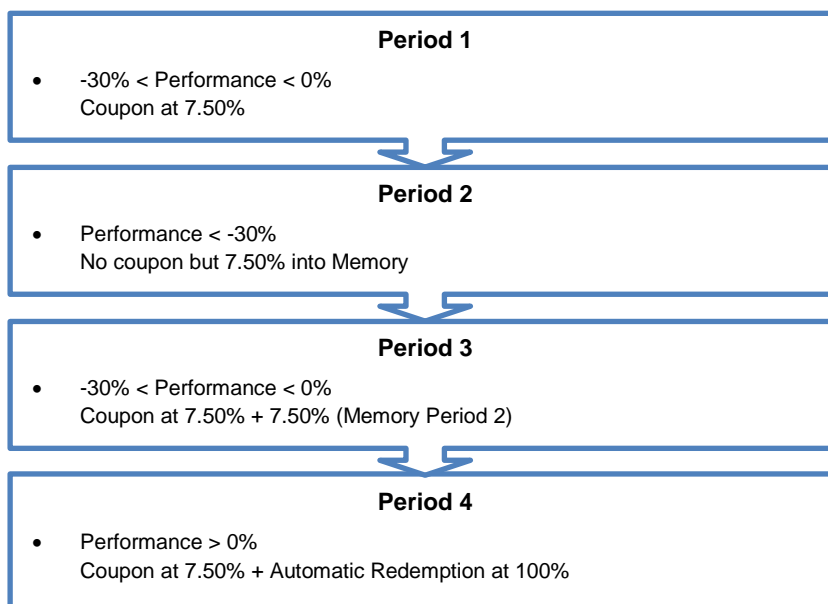
The formula for the Redemption Amount will be:

$$\begin{aligned}
 & Denomination + [Denomination \times (Participation Rate_i \times \max(X\%, \min(Performance_i, Y\%_i)) + Bonus_i)] \\
 & = Denomination + [Denomination \times (100\% \times \max(-100\%, \min(Performance_i, 100\%)) + 0\%)]
 \end{aligned}$$

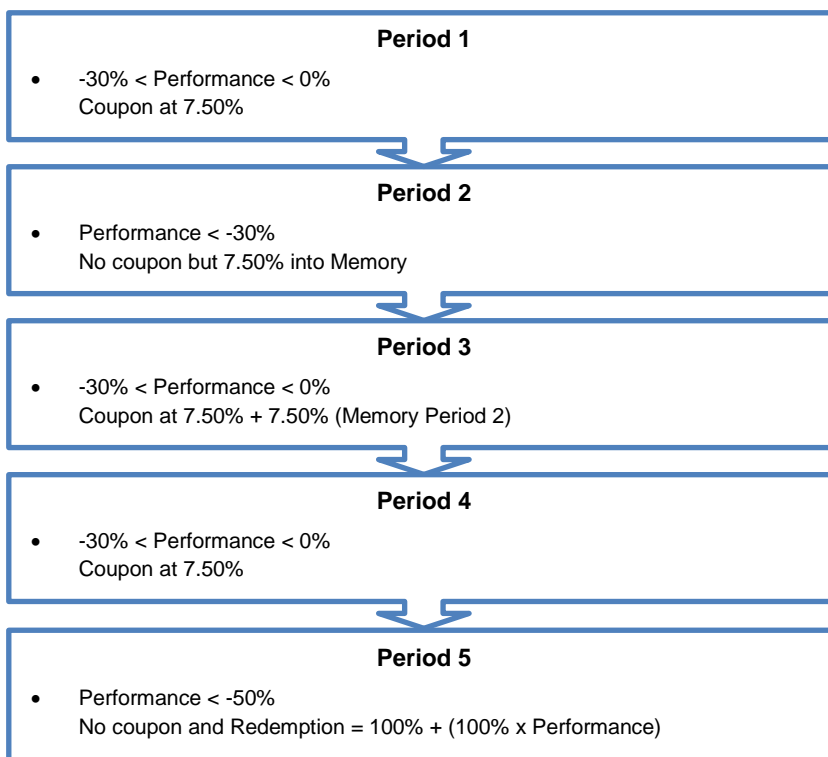




*Optimistic scenario*



*Pessimistic scenario*



**3. Light Reverse**

*Definition*

In a Light Reverse, one single barrier needs to be observed at Maturity. There is no right to receive 100% of the invested capital less fees at maturity

The Noteholder receives periodically (typically every year) a fixed Interest rate (for example 5.50%).

At Maturity, the Noteholder receives 100% of its investment if the Underlying (typically an Index) has not lost more than a pre-defined percentage (for example -40%) of its initial value. Otherwise the index performance is paid and there is a loss of capital.

*Product*

Periodic payments:

1. Periods: 5
2. Underlying: SX5E
3. Performance is  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  (Subdivision 3.c) is applicable), no Reset for the Initial Price
4. Not applicable
5. Not applicable
6. Bonus = 5.50%
7. Participation Rate = 100%
8. X% = 0%
9. Y% = 0%
10. Daycount: 30/360, unadjusted, following

The formula for the Periodic Payments will be:

$$\begin{aligned} & (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i) \\ & = (0\% \times \max(0\%, \min(Performance, 0\%)) + 5.50\%) \\ & = 5.50\% \end{aligned}$$

Redemption Amount:

1. Periods: Not Applicable
2. Underlying: Eurostoxx 50 (SX5E)
3. Performance is  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  (Subdivision 3.c) is applicable), no Reset for the Initial Price
4. Not applicable
5. Digitals are activated (Subdivision 5) is applicable)
6. Bonus = 0%
7. Participation Rate = 0% if  $Performance \geq -40\%$   
= 100% if  $Performance < -40\%$
8. X% = 0% if  $Performance \geq -40\%$   
= -100% if  $Performance < -40\%$
9. Y% = 0% if  $Performance \geq -40\%$   
= 100% if  $Performance < -40\%$
10. Daycount: 30/360, unadjusted, following

- If  $Performance \geq -40\%$

The formula for the Redemption Amount will be:

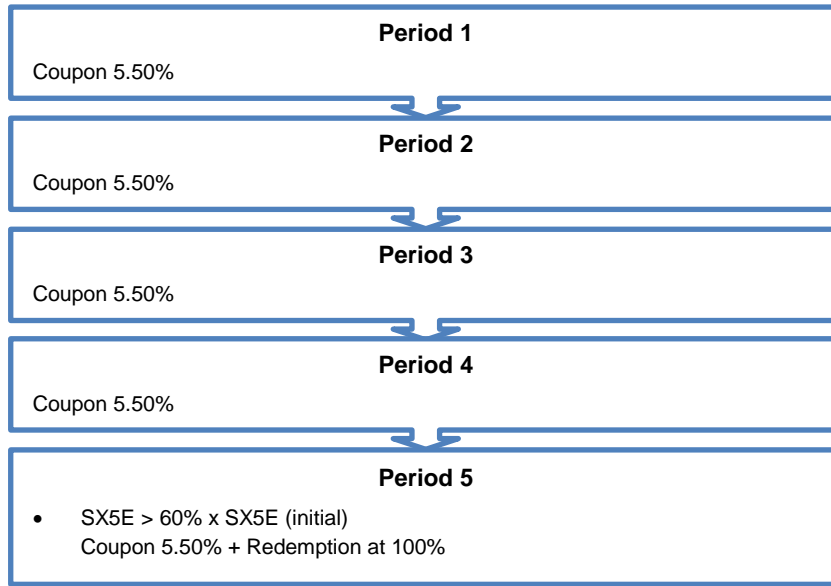
$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (0\% \times \max(0\%, \min(Performance_i, 0\%)) + 0\%)] \\ & = Denomination \end{aligned}$$

- If  $Performance < -40\%$

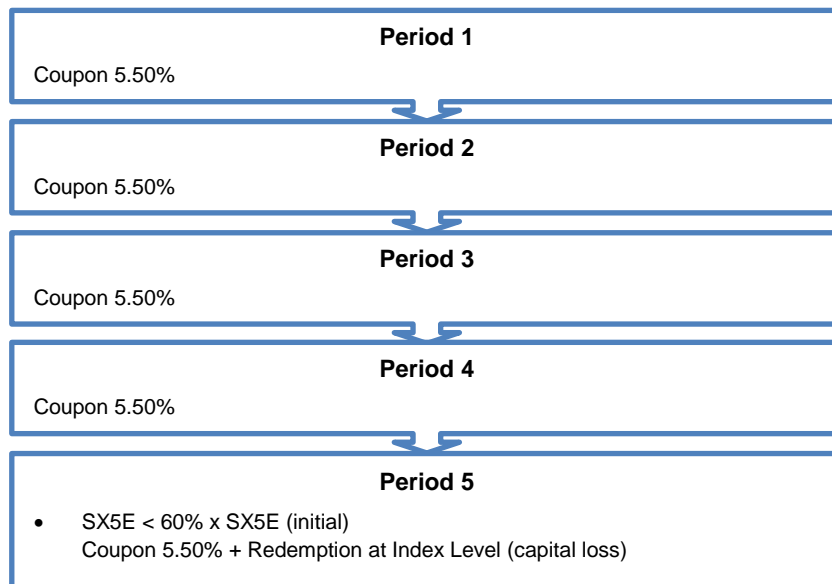
The formula for the Redemption Amount will be:

$$\begin{aligned} & Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ & = Denomination + [Denomination \times (100\% \times \max(-100\%, \min(Performance_i, 100\%)) + 0\%)] \\ & = Denomination + [Denomination \times Performance_i] \end{aligned}$$

*Optimistic scenario*



*Pessimistic scenario*



**B. Structures with one payment at maturity with cap**

The second category includes the products which do not generate any Periodic Payments but one global payment at Maturity. This last payment can be fixed (in a so-called “zero coupon product”) or variable. The formulas as stipulated below will specify if the Note have a Redemption Amount at 100% of the capital invested less fees or not.

*Definition*

The Variable Linked Redemption Amount can be constituted out of the next formula(s)

$$\text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify

1. Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
2. Which sub formula will apply to calculate the Performance. This Performance can be:
  - a. a single fixing
  - b. a difference between 2 Underlyings:  $Underlying_1 - Underlying_2$
  - c.  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  with or without reset of the initial price
  - d.  $\frac{Initial\ Price - Final\ Price}{Initial\ Price}$  with or without reset of the initial price
  - e.  $\frac{Final\ Price}{Initial\ Price}$
  - f.  $\sum_{j=1\dots n} w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{Final\ Price_j - Initial\ Price_i}{Initial\ Price_j}\right), Z\%\right)\right)$  with or without reset of the Initial Price, where  $w_{i,j}$  stands for weight (i) in period (j)

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

3. If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
4. If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
5. How the  $Bonus_i$  is defined. The  $Bonus_i$  can be
  - a. a fixed rate
  - b. a fixed rate subject to a condition on the Underlying
  - c. a rate which is the result of a formula such as the formulas above.
  - d. a rate which is the result of a sum of Formulas such as the Formulas above.
- 6) What the Participation Rate will be.
- 7) What the floor X% will be.
- 8) What the cap Y% will be.
- 9) What daycount convention has to be applied.

#### Examples

##### 1. Call spread

###### Definition

In a Call spread, there is no Periodic Payment. At Maturity, the Redemption Amount will be equal to 100% of the capital invested less fees plus any positive evolution of the Underlying capped at a defined level.

###### Product

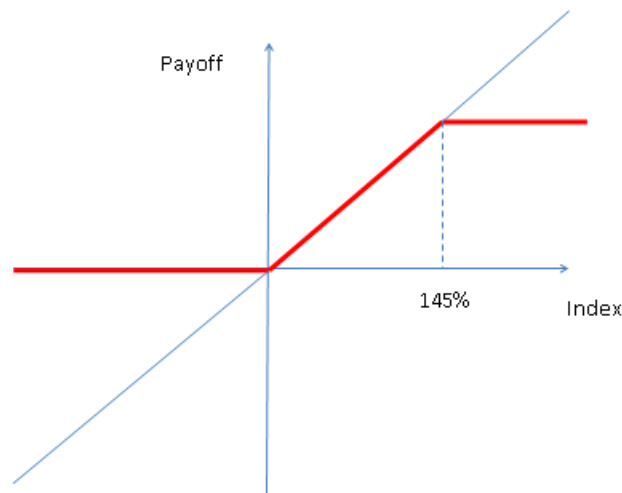
###### Redemption Amount:

1. Underlying : Eurostoxx 50 (SX5E)
2. Performance is  $\frac{Final\ Price - Initial\ Price}{Initial\ Price}$  (Subdivision 2.c) is applicable) where Initial Price is closing level of Index observed at 24/09/2012 and Final Price is arithmetic average of the closing levels observed at 10/09/2017, 11/09/2017 and 12/09/2017.
3. Not applicable
4. Not applicable
5. Bonus = 0%
6. Participation Rate = 100%
7. X% = 0%
8. Y% = 45%
9. No daycount

The formula for the Redemption Amount will be

$$Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)]$$

$$= \text{Denomination} + [\text{Denomination} \times (100\% \times \max(0\%, \min(\text{Performance}, 45\%)) + 0\%)]$$



*Optimistic scenario*

Performance = 30%

$$\text{Denomination} + [\text{Denomination} \times (100\% \times \max(0\%, \min(30\%, 45\%)) + 0\%)] = 130\%$$

*Pessimistic scenario*

Performance = -30%

$$\text{Denomination} + [\text{Denomination} \times (100\% \times \max(0\%, \min(-30\%, 45\%)) + 0\%)] = 100\%$$

**2. Digital on CMS**

*Definition*

The Digital on CMS product is the combination of a typical Zero Coupon bond (with a predefined interest payment at maturity) and a potential additional payment (the digital feature) if the Underlying (in this case the CMS rate) is above a certain level at maturity.

*Product*

Redemption Amount:

1. Underlying : CMS10y
2. Performance is a *single fixing* ((Subdivision 2.a) is applicable)
3. Not applicable
4. Condition is applicable ((Subdivision 4) is applicable) → at observation date, if CMS10y is at or above 2.10%
5. Bonus = 25.20%
6. Participation Rate = 0% if CMS10y < 2.10%  
= 100% if CMS10y ≥ 2.10%
7. X% = 0% if CMS10y < 2.10%  
= 10.40 % if CMS10y ≥ 2.10%
8. Y% = 0% if CMS10y < 2.10%  
= 10.40 % if CMS10y ≥ 2.10%
9. No daycount

- If CMS10y < 2.10%

The formula for the Redemption Amount will be:

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 25.20\%)] \\ & = \text{Denomination} + [\text{Denomination} \times (25.20\%)] \end{aligned}$$

- If  $CMS10y \geq 2.10\%$

The formula for the Redemption Amount will be:

$$\begin{aligned} & \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\ & = \text{Denomination} + [\text{Denomination} \times (100\% \times \max(10.40\%, \min(\text{Performance}_i, 10.40\%)) + 25.20\%)] \\ & = \text{Denomination} + [\text{Denomination} \times (10.40\% + 25.20\%)] \end{aligned}$$

#### Period 1

- $CMS10y < 2.10\%$   
Redemption Price = 100% + 25.20% + 0%
- $CMS10y \geq 2.10\%$   
Redemption Price = 100% + 25.20% + 10.40%

### C. Structures with one payment at maturity without cap

The third category includes the Notes which do not generate any Periodic Payments but one global payment at Maturity. This last payment can be fixed (in a so-called “zero coupon product”) or variable. The formulas as stipulated below will specify if the product is with redemption at 100% of the capital invested less fees or not.

#### Definition

The Variable Linked Redemption Amount can be constituted out of the next formula(s)

$$\text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)]$$

The Final Terms will specify the parameters (Participation Rate, X%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify

1. Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
2. Which sub formula will apply to calculate the Performance. This Performance can be
  - a. a single fixing
  - b. a difference between 2 Underlyings:  $\text{Underlying}_1 - \text{Underlying}_2$
  - c.  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  with or without reset of the Initial Price
  - d.  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$  with or without reset of the Initial Price
  - e.  $\frac{\text{Final Price}}{\text{Initial Price}}$
  - f.  $\sum_{j=1 \dots n} w_{i,j} \times \max\left(U\%, \min\left(\left(\frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j}\right), Z\%\right)\right)$  with or without reset of the Initial Price, where  $w_{i,j}$  stands for weight (i) in period (j)
  - g. The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).
3. If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
4. If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
5. How the  $\text{Bonus}_i$  is defined. The  $\text{Bonus}_i$  can be
  - h. a fixed rate
  - i. a fixed rate subject to a condition on the Underlying
  - j. a rate which is the result of a Formula such as the Formulas above
  - k. a rate which is the result of a sum of Formulas such as the Formulas above.
6. What the Participation Rate will be.
7. What the floor X% will be.
8. What the cap Y% will be.
9. What daycount convention has to be applied.

## Examples

### 1. Optimal Performance

#### Definition

In an Optimal Performance, there is no right to receive 100% of the invested capital less fees at Maturity. At Maturity, if the underlying (typically an equity index or equity share) is at or above its initial level, but below a defined threshold (for example 150%) investors receive 100 % of the invested capital plus a fixed amount ( 50% in this example).

If the Underlying is above this defined threshold of 150%, Noteholders will receive the performance of the Underlying.

If the Underlying is strictly below its initial level, Noteholders will receive 150 % of the performance. Below a certain level of the underlying, Noteholders will suffer a capital loss.

#### Product

##### Redemption Amount:

1. Underlying: Eurostoxx 50 (SX5E)
2. Performance = if  $Final\ Price \geq Initial\ Price$  (Subdivision 2.c) is applicable), no Reset for the Initial Price  
= if  $Final\ Price < Initial\ Price$  (Subdivision 2.e) is applicable), no Reset for the Initial Price
3. Not applicable
4. Digitals are activated (Subdivision 4) is applicable)
5. Bonus = 0% if  $Final\ Price \geq Initial\ Price$   
= -100% if  $Final\ Price < Initial\ Price$
6. Participation Rate = 100% if  $Final\ Price \geq Initial\ Price$   
= 150% if  $Final\ Price < Initial\ Price$
7. X% = 50% if  $Final\ Price \geq Initial\ Price$   
= not applicable if  $Final\ Price < Initial\ Price$
8. Y% = not applicable
9. No daycount

- If  $Final\ Price \geq Initial\ Price$

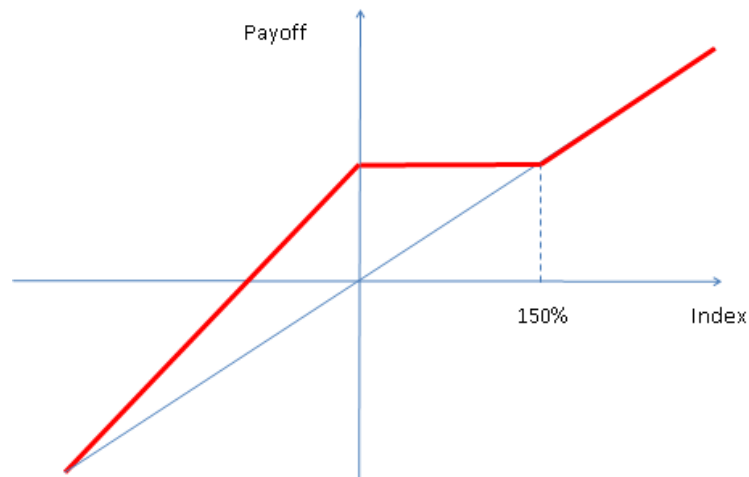
The formula for the Redemption Amount will be:

$$Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ = Denomination + [Denomination \times (100\% \times \max(50\%, \min(Performance)) + 0\%)]$$

- If  $Final\ Price < Initial\ Price$

The formula for the Redemption Amount will be:

$$Denomination + [Denomination \times (Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)] \\ = Denomination + [Denomination \times (150\% \times \max(\min(Performance)) - 100\%)]$$



*Optimistic scenario*

Final Price = 135% x Initial Price

$$Denomination + [Denomination \times (100\% \times \max(50\%, \min(35\%)) + 0\%)] = 150\%$$

*Pessimistic scenario*

Final Price = 40% x Initial Price

$$Denomination + [Denomination \times (150\% \times \max(\min(80\%)) - 100\%)] = 90\%$$

**2. Digital on CMS**

*Definition*

The Digital on CMS product is the combination of a classical zero coupon bond (with a predefined interest payment at Maturity) and a potential additional payment (the digital feature) if the underlying (in this case the CMS rate) is above a certain level at Maturity.

*Product*

Redemption Amount:

1. Underlying: CMS10y
2. Performance is a *single fixing* (Subdivision 2.a) is applicable)
3. Not applicable
4. Condition is applicable (Subdivision 4) is applicable) → at observation date, if CMS10y ≥ 2.10%
5. Bonus = 25.20%
6. Participation Rate = 0% if CMS10y < 2.10%  
= 100% if CMS10y ≥ 2.10%
7. X% = 0% if CMS10y < 2.10%  
= 10.40% if CMS10y ≥ 2.10%
8. Y% = 0% if CMS10y < 2.10%  
= 10.40% if CMS10y ≥ 2.10%
9. No daycount

- If CMS10y < 2.10%

The formula for the Redemption Amount will be:

$$Denomination + [Denomination \times (Participation Rate_i \times \max(X\%, \min(Performance_i, Y\%_i)) + Bonus_i)]$$

$$= Denomination + [Denomination \times (0\% \times \max(0\%, \min(Performance_i, 0\%)) + 25.20\%)]$$

$$= Denomination + [Denomination \times (25.20\%)]$$

- If CMS10y ≥ 2.10%

The formula for the Redemption Amount will be:



$$\begin{aligned}
& \text{Denomination} + [\text{Denomination} \times (\text{Participation Rate}_i \times \max(X\%, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i)] \\
& = \text{Denomination} + [\text{Denomination} \times (100\% \times \max(10.40\%, \min(10.40\%)) + 25.20\%)] \\
& = \text{Denomination} + [\text{Denomination} \times (10.40\% + 25.20\%)]
\end{aligned}$$

#### Period 1

- CMS10y < 2.10%  
Redemption Price = 100% + 25.20% + 0%
- CMS10y ≥ 2.10%  
Redemption Price = 100% + 25.20% + 10.40%

#### D. Structures with one payment at maturity without cap

The fourth category includes the products which does not generate any Periodic Payments but one global payment at Maturity. This last payment can be seen as the sum of different periodical components.

The formulas as stipulated below will specify if the Note will have a Redemption Amount of 100% of the capital invested less fees or not.

##### Definition

The Variable Linked Redemption Amount can be constituted out of the next formula(s)

$$\text{Denomination} + \left[ \text{Denomination} \times \max \left( V\%, \sum_{i=1}^n (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \right) \right]$$

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify

- 1) How many periods (n) will be used and what formula relates to what period
- 2) Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
- 3) Which sub formula will apply to calculate the Performance. This Performance can be
  - a) a single fixing
  - b) a difference between 2 Underlyings: Underlying<sub>1</sub> – Underlying<sub>2</sub>
  - c)  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  with or without reset of the initial price
  - d)  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$  with or without reset of the initial price
  - e)  $\frac{\text{Final Price}}{\text{Initial Price}}$
  - f)  $\sum_{j=1 \dots n} w_{i,j} \times \max \left( U\%, \min \left( \left( \frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j} \right), Z\% \right) \right)$  with or without reset of the Initial Price, where  $w_{i,j}$  stands for weight (i) in period (j)

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

- 4) If the Note can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
- 5) If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
- 6) How the Bonus<sub>i</sub> is defined. The Bonus<sub>i</sub> can be
  - a) a fixed rate
  - b) a fixed rate subject to a condition on the Underlying
  - c) a rate which is the result of a Formula such as the Formulas above.
  - d) A rate which is the result of a sum of Formulas such as the Formulas above.
- 7) What the Participation Rate will be.
- 8) What the floor X% will be.
- 9) What the cap Y% will be.
- 10) What the global floor of V% will be.

11) What daycount convention has to be applied.

Examples

**1. Cliquet**

*Definition*

The Cliquet will pay at maturity the sum of the yearly performances of the Underlying, where yearly performances are floored at X% (for example, -3%) and capped at Y% (for example, 7%).

Global payout is floored at V% (for example, 0%) to have a right to receive 100% of the invested capital less fees at Maturity.

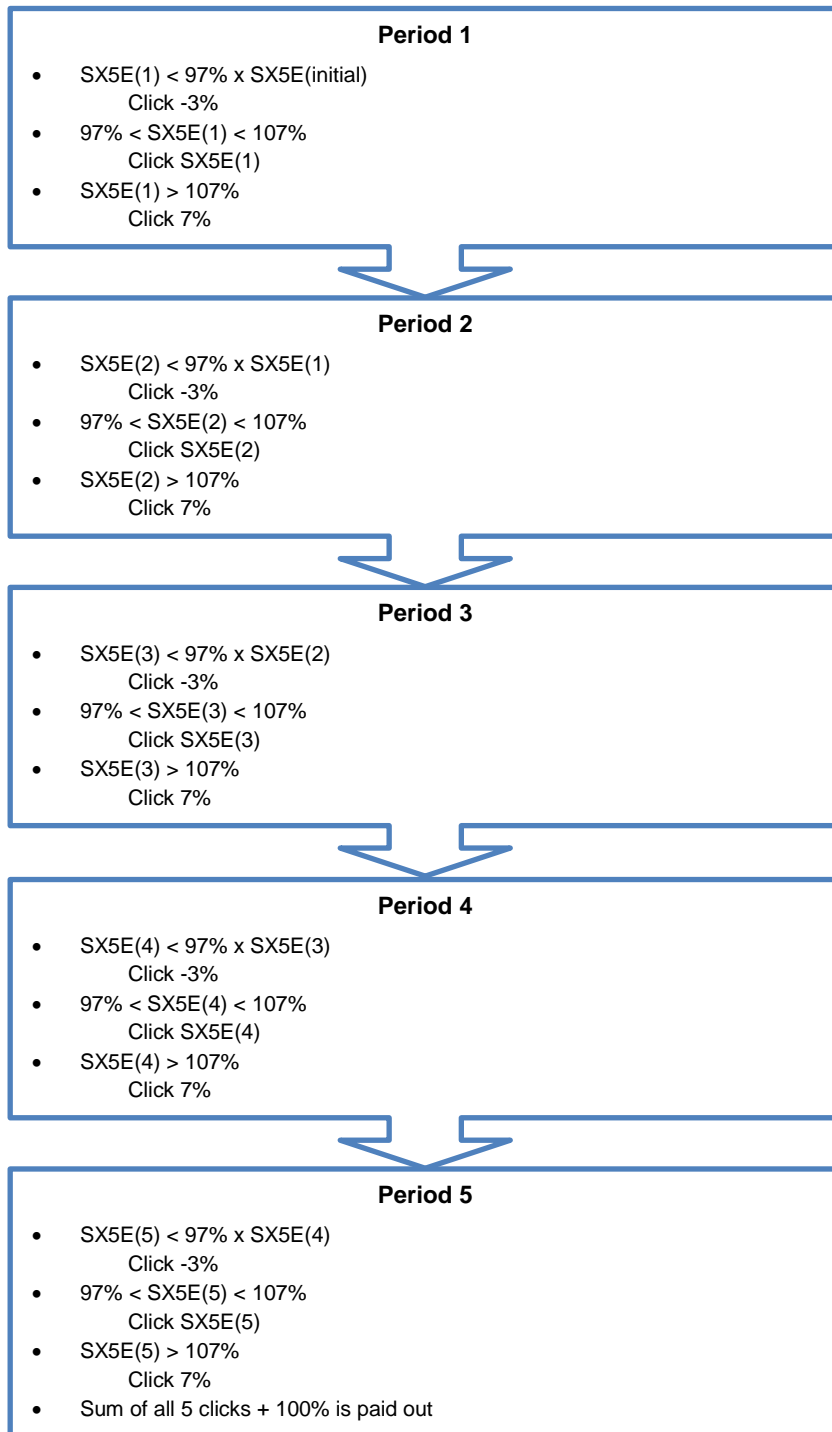
*Product*

Redemption Amount

1. Periods (n): 5
2. Underlying: SX5E
3. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  (subformula 3.c) with annual reset.
4. Not applicable
5. Not applicable
6. Bonus = 0%
7. Participation Rate = 100%
8. X% = - 3%
9. Y% = 7%
10. V% = 0%
11. No daycount

The Variable Linked Redemption Amount is equal to:

$$\begin{aligned} & \text{Denomination} + \left[ \text{Denomination} \times \max \left( V\%, \sum_{i=1}^n (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \right) \right] \\ & = \text{Denomination} + \left[ \text{Denomination} \times \max \left( 0\%, \sum_{i=1}^5 (100\% \times \max(-3\%, \min(\text{Performance}_i, 7\%)) + 0\%) \right) \right] \end{aligned}$$



**E. Structures with periodic payments and physical settlement**

Typically, this category refers to Notes called reverse convertible for which the Redemption Amount is not equal to 100% of the capital invested less fees and can be done in physical instruments (shares for instance) depending on the final value of these shares instead of cash.

*Definition*

The Periodic Payments can be constituted out of the next formula(s) (for n periods)

$$(Participation\ Rate_i \times \max(X\%_i, \min(Performance_i, Y\%_i)) + Bonus_i)$$

The Redemption Amount at the end of period n can be constituted out of the next formulas. If the Performance is at or above a certain Barrier, the Redemption Amount is in cash at par.

If the Performance is below a certain Barrier, then physical settlement will apply.

Number of shares to be delivered

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \left[ \frac{\text{Specified Denomination}}{\text{Initial Price}} - \left( \text{non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right) \right]$$

Fractional Share Amount

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \text{Final Price} \times \left( \text{non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right)$$

These formulas stipulate how many shares will be delivered per Specified Denomination of the Notes. The number of shares has to be an integer amount. The non-integer amount will then be paid in cash (= Fractional Share Amount).

The Final Terms will specify the parameters (Participation Rate, X%, Y%) of the specific issue (see introduction). The Final Terms will also specify if a combination of more than one of these formulas is used. The Final Terms will furthermore specify

1. How many periods (n) will be used and what formula relates to what period
2. Which Underlying or component of the Underlying (if the Underlying is a basket) will be used to calculate the Performance (Rate, Share or Basket of Shares, Share Index or Basket of Share Indexes, Commodity Index or Basket of Commodity Indexes, Inflation Index, Fund or Basket of Funds)
3. Which sub formula will apply to calculate the Performance. This Performance can be
  - a. a single fixing
  - b. a difference between 2 Underlyings: Underlying<sub>1</sub> – Underlying<sub>2</sub>
  - c.  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  with or without reset of the Initial Price
  - d.  $\frac{\text{Initial Price} - \text{Final Price}}{\text{Initial Price}}$  with or without reset of the Initial Price
  - e.  $\frac{\text{Final Price}}{\text{Initial Price}}$
  - f.  $\sum_{j=1..n} w_{i,j} \times \max \left( U\%, \min \left( \left( \frac{\text{Final Price}_j - \text{Initial Price}_j}{\text{Initial Price}_j} \right), Z\% \right) \right)$  with or without reset of the Initial Price  
where  $w_{i,j}$  stands for weight (i) in period (j)

The Final Terms will also determine how the Final Price and Initial Price are defined. These can be 1 observation, an average of X observations, with a look-back feature (lowest/highest during a certain period).

4. If the structure can be called either by the Issuer at certain dates, or when the Underlying reaches a certain level at a certain date or during a certain period.
5. If the value of some parameters depends on the level of the underlying at a certain date or during a certain period (=condition).
6. How the Bonus<sub>i</sub> is defined. The Bonus<sub>i</sub> can be
  - g. a fixed rate
  - h. a fixed rate subject to a condition on the Underlying
  - i. a rate which is the result of a Formula such as the Formulas above.
  - j. a rate which is the result of a sum of Formulas such as the Formulas above.
7. What the Participation Rate will be.
8. What the floor X% will be.
9. What the cap Y% will be.
10. What daycount convention has to be applied.

*Example*

### 1. Reverse Convertible on Total shares

*Definition*

The Reverse Convertible will pay a high fixed Interest Rate during the lifetime of the Note. The Redemption Amount will depend on the evolution of the Underlying. Is the Underlying at or above a certain barrier, the Redemption Amount will be at 100%. Is the Underlying below the barrier, the Redemption will be in a number of shares of the Underlying

*Product*

Periodic payments:

1. Periods (n): 5
2. Underlying: Total
3. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  (subformula 3.c))
4. Not applicable
5. Not applicable
6. Bonus = 8%
7. Participation Rate = 0%
8. X% = 0%
9. Y% = 0%
10. Daycount: 30/360, unadjusted, following

$$\begin{aligned} & (\text{Participation Rate}_i \times \max(X\%_i, \min(\text{Performance}_i, Y\%_i)) + \text{Bonus}_i) \\ & = (0\% \times \max(0\%, \min(\text{Performance}_i, 0\%)) + 8\%) \end{aligned}$$

Variable Linked Redemption Amount:

1. Periods (n): 5
2. Underlying: Total
3. Performance is  $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$  (subformula 3.c))
4. Not applicable
5. Applicable: Condition = 70% x Initial Price
6. Bonus = 8%
7. Participation Rate = 0%
8. X% = 0%
9. Y% = 0%
10. Daycount: 30/360, following, unadjusted

- If Final Price is at or above 70% of Initial Price, then 100%,  
*Denomination*
- Otherwise number of shares (Subdivision 5) is applicable  
Number of shares to be delivered

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \left[ \frac{\text{Specified Denomination}}{\text{Initial Price}} - \left( \text{non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right) \right]$$

Fractional Share Amount

$$\frac{\text{Denomination}}{\text{Specified Denomination}} \times \text{Final Price} \times \left( \text{non - integer amount of } \frac{\text{Specified Denomination}}{\text{Initial Price}} \right)$$

*Optimistic scenario*

Final Price > 70% x Initial Price, then Coupon of 8% + 100% Redemption

*Pessimistic scenario*

For instance, if Final Price of Total = 22.90, which is below 70% x 38.20 (Initial Price of Total), then  
Per Specified Denomination of € 1000,

$$\left[ \frac{1000}{38.20} - \left( \text{non - integer amount of } \frac{1000}{38.20} \right) \right] = 26 \text{ shares of Total}$$

and

$$22.90 \times \left( \text{non - integer amount of } \frac{1000}{38.20} \right) \text{ euro in cash}$$

### 9.3 Interest on the notes

The interest to be paid on the Notes (the “Interest”) can be based on a fixed rate (“Fixed Rate”, such Notes to be referred to as “Fixed Rate Notes”), a floating rate (“Floating Rate”, such Notes referred to as “Floating Rate Notes”) or linked to any other variable, formula and/or underlying (“Variable Linked Rate”, such Notes to be referred to as “Variable Linked Rate Notes”) (Fixed Rate, Floating Rate and Variable Linked Rate are together referred to as “Interest Rate”). The Interest is calculated per Note for each Interest Period as the product of the Calculation Amount, the Interest Rate and the Day Count Fraction, unless an Interest Amount is specified in the relevant Final Terms, in which case the Interest payable in respect of such Note for such Interest Period shall equal such Interest Amount.

The Notes can also be Zero Coupon Notes, in which case no Interest is paid periodically.

Interest shall cease to accrue on each Note from the due date for redemption thereof unless payment of the principal thereof or delivery of the Redemption Amount (as defined below) to be delivered in respect thereof is improperly withheld or refused or unless default is otherwise made in respect of such payment. In such event, interest shall only cease to accrue from the date on which payment of such Redemption Amount in respect thereof is made or, if earlier and if applicable, from the seventh day after notice is given to the Noteholders in accordance with these Terms and Conditions that payment of the Redemption Amount will be made, provided that, upon such presentation, payment is in fact made.

#### 9.3.1 Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate specified in the relevant Final Terms, such interest being payable in arrears on each Interest Payment Date.

#### 9.3.2 Floating Rate Notes

Floating Rate Notes bear Interest at the Floating Rate specified in the relevant Final Terms, as fixed on the Interest Determination Date applicable to the relevant Interest Payment Date and payable in arrears. The Floating Rate will be determined by the Calculation Agent as the sum of the rate published on the Publication Source for the specified Designated Maturity and the Spread, all as specified in the relevant Final Terms.

If however a Maximum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or higher than the Maximum Rate, the Floating Rate will be such Maximum Rate.

If however a Minimum Rate is specified in the Final Terms and the Floating Rate (determined as described above) is equal to or lower than the Minimum Rate, the Floating Rate will be such Minimum Rate.

#### 9.3.3 Variable Linked Rate Notes

Variable Linked Rate Notes bear Interest at the Variable Linked Rate specified in the relevant Final Terms, as fixed in the way specified in the Final Terms, and payable in arrears. The Variable Linked Provisions below will apply.

#### 9.3.4 Zero Coupon Notes

Zero Coupon Notes may be issued at their principal amount or at a discount to it, applying an Amortisation Yield, and will not bear Interest. Zero Coupon Notes that are also Bearer Notes may be subject to certain formalities on transfer under the laws of the Netherlands.

#### 9.3.5 Payment of the Interest

Unless otherwise stated in the relevant Final Terms, Interest on the Notes will be payable in arrears at the end of the relevant Interest Period on the applicable Interest Payment Date. The first payment of Interest will be on the first Interest Payment Date following the Issue Date. The last payment will be on the Maturity Date.

### 9.4 Definitions

“Averaging Dates”: Means the dates specified as such in the relevant Final Terms.

- If an Averaging Date in respect of the Underlying is not a Scheduled Trading Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Initial Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth

Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date

- If an Averaging Date for the Underlying is affected by the occurrence of a Disrupted Day, then, the Averaging Date for such Underlying shall be the first succeeding Valid Date. If the first succeeding Valid Date in respect of such Underlying has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (1) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Underlying and, (2) the Calculation Agent shall determine its good faith estimate of the value for the Underlying as of the Valuation Time on that Averaging Date.

**“Business Day”**: means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place(s) and on the days specified for that purpose in the related Final Terms, a TARGET Settlement Day, if “TARGET”, “TARGET2” or “TARGET Settlement Day” is specified for that purpose in the related Final Terms or if place(s) and days, or such terms, are not so specified in the related Final Terms.

**“Business Day Convention”**: means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term “Business Day Convention” and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- if “Following” is specified, that date will be the first following day that is a Business Day;
- if “Modified Following” or “Modified” is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- if “Preceding” is specified, that date will be the first preceding day that is a Business Day.

In the event of Notes cleared to the X/N Clearing System, the Following Business Days Convention will always be applicable for Fixed Rate Notes (unless otherwise specified in the applicable Final Terms).

**“Calculation Agent”**: means AXA BANK, unless specified otherwise in the relevant Final Terms. Whenever the Calculation Agent is required to act or to exercise judgment in any way, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or intentional misconduct of the Calculation Agent. (see 9.12 “Responsibility of the Calculation Agent” in the Base Prospectus).

**“Calculation Amount”**: means the Denomination.

**“Day Count Fraction”**: means, in respect of the Notes and the calculation of the Interest:

- if “1/1” is specified or nothing is specified, 1,
- if “Actual/Actual-ICMA” is specified in the applicable Final Terms,
  - if the Interest Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Interest Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - if the Interest Period is longer than one Determination Period, the sum of:
    - the number of days in such Interest Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - the number of days in such Interest Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

Where:

- “Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and
  - “Determination Dates” means the dates specified in the applicable Final Terms or, if none is so specified, the Interest Payment Date and, the Interest Commencement Date.
- iii. if “**Actual/Actual**” or “**Act/Act**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of:
- a. the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and
  - b. the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- iv. if “**Actual/365 (Fixed)**”, “**Act/365 (Fixed)**”, “**A/365 (Fixed)**” or “**A/365F**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 365;
- v. if “**Actual/360**”, “**Act/360**” or “**A/360**” is specified, the actual number of days in the Interest Period in respect of which payment is being made divided by 360;
- vi. if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

- “Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;
  - “Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
  - “M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
  - “M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
  - “D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and
  - “D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; and
- vii. if “**30E/360**” or “**Eurobond Basis**” is specified, the number of days in the Interest Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

- “Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;
- “Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- “M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- “M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;
- “D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and



- “D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

“**EURIBOR**”: means that the rate for the relevant Interest Determination Date will be the rate for deposits in euros for a period of the Designated Maturity as of 11:00 a.m., Brussels time on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.

“**Hedge Positions**”: means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by the Issuer or, in the case of ABF(NL) Notes, Guarantor in order to hedge, individually or on a portfolio basis, the Notes.

“**Interest Commencement Date**”: means the Issue Date or such other date specified in the relevant Final Terms.

“**Interest Determination Date**”: means each date specified as such in the relevant Final Terms.

“**Interest Payment Date**”: means each date, as specified in the relevant Final Terms, on which the Interest as determined by the Calculation Agent for the applicable Interest Period is payable in accordance with Condition 9.3.5 Payment of the Interest.

If such day is not a Business Day it will be adjusted by the Business Day Convention, unless otherwise specified in the relevant Final Terms.

“**Interest Period**”: means each period from, and including, one Interest Period End Date to, but excluding, the next following applicable Interest Period End Date, except that the initial Interest Period will commence on, and include, the Interest Commencement Date.

“**Interest Period End Date**”:

- If “Adjusted” is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date.
- If “No Adjustment” is specified in the relevant Final Terms, Interest Period End Date means the relevant Interest Payment Date, without however applying any adjustment in accordance with the Business Day Convention specified to be applicable to the Interest Payment Dates.
- If “Adjusted” or “No Adjustment” is not specified in the relevant Final Terms, the Interest Period End Date(s) shall be as specified in those Final Terms.

“**Issue Date**”: means the date on which the Notes are issued as specified in the relevant Final Terms.

“**Maturity Date**”: means the date on which the Notes come to maturity as specified in the relevant Final Terms, unless such day is not a Business Day in which case it will be adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

“**Specified Currency**”: means the currency of the Notes as specified in the relevant Final Terms.

“**TARGET Settlement Day**”: means any day on which TARGET 2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

“**Valid Date**”: Means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date, or Initial Averaging Date as applicable, in respect of the relevant Valuation Date, or Initial Valuation Date as applicable, does not or is not deemed to occur.

## 9.5 Redemption and Purchase

### 9.5.1 Final Redemption

Unless previously redeemed, purchased and cancelled or unless its maturity is extended pursuant to an Issuer’s or Noteholder’s Option (see Section 5. Risk Factors – Risks related to the structure of a particular issue of Notes) the Notes shall be redeemed on the Maturity Date. The Notes may not be redeemed prior to that date, without prejudice to the provisions 9.5.2 , 9.5.3 and 9.5.6 of these Terms and Conditions.

The Redemption of the Notes can be Variable Linked (“Variable Linked Redemption Amount”), in which case the Variable Linked Provisions below will apply.

### 9.5.2 Redemption at the Option of the Issuer

If a Call Option is provided to be applicable in the relevant Final Terms, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer’s Optional Redemption Period redeem all or, if so provided,

some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount together with interest accrued to the date fixed for redemption, unless otherwise specified in the relevant Final Terms. Any such redemption or exercise must relate to the Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed, as specified in the relevant Final Terms, and no greater than the Maximum Redemption Amount to be redeemed, as specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice.

Early Redemption for any Senior Subordinated Notes can only occur at the option of the Issuer. In case of early redemption of AXA BANK Senior Subordinated Notes by the Issuer, an approval must be obtained from the National Bank of Belgium.

### **9.5.3 Mandatory Early Redemption**

If Mandatory Early Redemption is provided to be applicable in the relevant Final Terms and one or more Trigger Events are defined in these Final Terms, the Issuer shall without giving notice to the Noteholders automatically redeem all or, if so provided, some of the Notes in the principal amount or integral multiples thereof on the Mandatory Early Redemption Date(s) so provided in the relevant Final Terms once the Calculation Agent determines that a Trigger Event has occurred. Any such redemption of Notes shall be at the Mandatory Early Redemption Amount specified in the relevant Final Terms.

The Trigger Events mentioned above can relate to the following (without however being exhaustive, these are merely examples):

- in case a Variable Linked Redemption Amount depends on the evolution of one or more Underlyings, a Trigger Event applies, for example, if the level of the relevant Underlying exceeds on a specified date a certain pre-defined value as specified in the relevant Final Terms;
- in case the relevant Notes bear interest, a Trigger Event applies, for example, if the sum of the Interest Amounts paid together with the Interest Amount payable on the next following Interest Payment Date exceeds an amount specified in the relevant Final Terms. As a consequence, the Interest Amount payable in respect of such Note for the relevant Interest Period may be capped in order not to exceed the amount specified in the relevant Final Terms.

### **9.5.4 Repurchase**

The Issuer or, in the case of ABF(NL) Notes, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

### **9.5.5 Cancellation**

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their subsidiaries may thereafter be cancelled by, in the case of ABF(NL) Notes, the Fiscal Agent by a reduction of the principal amount of such notes. Any Notes so redeemed or purchased and cancelled may not be reissued or resold and the obligations of the Issuer and, in the case of ABF(NL) Notes, the Guarantor in respect of any such Notes shall be discharged.

### **9.5.6 Redemption upon Capital Disqualification Event**

If, considering the application of European Regulation 575/2013 (the *Capital Requirements Regulation*), the European Directive 2013/36/EU of 26 June 2013 and the Belgian banking law of 25 April 2014 ("*Wet op het statuut van en het toezicht op kredietinstellingen*" / "*Loi relative au statut et contrôle des établissements de crédit*"), this Condition is specified as being applicable in the relevant Final Terms, then, following the occurrence of a Capital Disqualification Event and, in relation to Condition 9.9.2. Status of Dated Subordinated Notes, the Issuer may, subject to the prior consent of the regulator applicable to AXA BANK, within ninety days of the occurrence of the relevant Capital Disqualification Event and on giving not less than thirty nor more than sixty days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in accordance with Condition 9.17. Notices (with a copy to the Fiscal Agent or to the Domiciliary Agent, for Notes issued by AXA BELGIUM FINANCE (NL)), at its option, redeem all, but not some only, of the Senior Subordinated Notes (such option to redeem being referred to herein as a "Capital Disqualification Event Early Redemption Option") at the Capital Disqualification Event Early Redemption Price, together with interest accrued and unpaid, if any, to the date fixed for redemption. The notice given to the Noteholders pursuant to this Condition 9.5.6 shall contain a confirmation by the Issuer stating that a Capital Disqualification Event has occurred and is continuing, and such confirmation shall be conclusive and binding on the Noteholders.

In these Conditions:

a "**Capital Disqualification Event**" shall be deemed to have occurred if the Issuer determines, in good faith and after consultation with the regulator applicable to AXA BANK, at any time after the Issue Date, that by reason of the non compliance with the applicable criteria for Tier 2 capital, the Dated Subordinated Notes are or will be fully or partially excluded from Tier 2 capital of AXA BANK (excluding for these purposes any non recognition of any applicable limitations on the amount of such capital of AXA BANK); and

"**Capital Disqualification Event Early Redemption Price**" means (i) if "**Specified Redemption Amount**" is specified in the relevant Final Terms, an amount per Calculation Amount being the product of the Specified Fixed Percentage Rate and the Calculation Amount **provided that** the Specified Fixed Percentage Rate will not, in any case, be less than 100 per cent. or (ii) if "**Par Redemption**" is specified in the relevant Final Terms, an amount per Calculation Amount equal to 100 per cent. per Calculation Amount.

## 9.6 Payment

Investors shall pay the Denominations on the subscribed Notes in cash at the time of subscription or by debit of the cash account linked to the securities account, in which Notes are to be held, on the Issue Date.

If the Issue Date is a day, which is not a Business Day in the place of payment of the Denominations, payment will be due on that day as adjusted by the Following Business Day Convention, unless otherwise specified in the relevant Final Terms.

Any amounts payable by the Issuer in respect of the Notes, be they Interests, Redemption Amounts or other, shall be made by transfer to the cash account linked to the securities account in which the Notes are held subject to all applicable laws and regulations.

If the date for payment of Interest, Redemption Amount or any other amount due to the Noteholders is a day, which is not a Business Day in the place of payment, the Noteholders shall not be entitled to payment until the day as adjusted by the Following Business Day Convention, unless specified otherwise in the relevant Final Terms.

## 9.7 Variable Linked Provisions

A Variable Linked Rate or a Variable Linked (Redemption) Amount can depend on the evolution of one or more Underlyings.

The Final Terms will specify the Underlying which can be either (i) one or more Market Rates; (ii) a Share or a Basket of Shares, (iii) a Share Index or a Basket of Share Indices, (iv) a Fund or a Basket of Funds, (v) a Commodity or a Basket of Commodities, (vi) a Commodity Index or a Basket of Commodity Indices, or (vii) an Inflation Index or a Basket of Inflation Indices.

### 9.7.1 Underlyings

#### **Market Rate**

The Underlying can be a Market Rate, such as the EUR CMS Rate, as defined below, or any other Market Rate, as defined in the relevant Final Terms.

**EUR CMS Rate:** Means that the rate for the relevant Interest Determination Date will be the annual swap rate for euro swap transactions with a maturity of the Designated Maturity, expressed as a percentage, as of 11:00 a.m., Frankfurt time, on the day that is two TARGET Settlement Days preceding that Interest Determination Date, as determined by the Calculation Agent.

#### **Share or Basket of Shares**

##### *Definitions*

**Share:** Means the share specified as such in the relevant Final Terms.

**Share Basket:** Means a basket of shares as specified in the relevant Final Terms.

**i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Share in the Share Basket separately.

**w:** Means the weight of a certain Share in the Share Basket.

**Exchange:** Means each exchange or quotation system specified as such for such Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

**Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Share in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

**Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of the relevant Share at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Initial Averaging Date.

**Final Price:** Means the Relevant Price of the relevant Share on the relevant Valuation Date, as determined by the Calculation Agent, or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Share or Share Basket as of the Valuation Time on each Averaging Date.

**Initial Valuation Date:** Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Initial Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

**Valuation Date:** Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Share, the Final Price of such Share shall be determined on the basis of the Relevant Price of such Share as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.

**Relevant Price:** Means the price of the relevant Share determined by the Calculation Agent at the Valuation Time on the Exchange.

**Valuation Time:** Means the time on the relevant Valuation Date, specified as such in the related Final terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

**Scheduled Closing Time:** Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day:** Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Exchange Business Day:** Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

#### *Market Disruption*

**“Market Disruption Event”** means in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.

In that respect, “**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) the Shares on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

In that respect, “**Early Closure**” means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

If any Valuation Date is a Disrupted Day, then:

- a. if the Underlying is a Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine its good faith estimate of the value of the Share as of the Valuation Time on that eighth Scheduled Trading Day; and
- b. if the Underlying is a Basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.

#### *Potential Adjustment Events*

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and if so will:

- a. make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and
- b. determine the effective date(s) of the adjustment(s).

The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or, a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such Shares equally or proportionately with such payments to holders of such Shares, or

(c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the issuer of the Shares as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;

- an extraordinary dividend as determined by the Calculation Agent;
- a call by the issuer of the relevant Shares in respect of such Shares that are not fully paid;
- a repurchase by the issuer of the relevant Shares or any of its subsidiaries of such Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- in respect of the issuer of the relevant Shares, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the issuer of the Shares pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

#### *Extraordinary Events*

“**Extraordinary Event**” means any of Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting, De-merger Event, Change in Law or Insolvency Filing, as the case may be.

“**Merger Event**” means in respect of any relevant Shares:

- any reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding);
- any takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the issuer of the relevant Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or
- any consolidation, amalgamation, merger or binding share exchange of the issuer of the relevant Shares or its subsidiaries with or into another entity in which the issuer of the relevant Shares is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a “Reverse Merger”) in each case if the effective date of the Merger Event is on or before the final Valuation Date.

“**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the issuer of the relevant Shares, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“**Nationalization**” means that all the Shares or all the assets or substantially all the assets of the issuer of the relevant Shares are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the relevant Shares, (A) all the Shares of that issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the

Shares of that issuer become legally prohibited from transferring them (each time as determined in good faith by the Calculation Agent).

**“Delisting”** means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union).

**“De-merger Event”** means that the issuer of the relevant Shares is affected by a de-merger (such as, but not limited to, spin off, scission or any operation of a similar nature) leading to the attribution of a basket comprising New Shares and/ or Other Consideration and/ or the relevant Share affected by the de-merger (as the case may be), such basket resulting from such de-merger.

In that respect, **“New Shares”** means ordinary or common shares, whether of the entity or person involved or a third party, that are promptly scheduled to be (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations. Other Consideration means cash and/or any securities (other than New Shares) or assets whether of the entity or person involved or a third party.

**“Change in Law”** means that on or after the Issue Date of the Notes (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions relating to the Notes.

**“Insolvency Filing”** means that the issuer of the relevant Shares institutes or has instituted against it by a regulator, supervisor, or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the relevant Shares shall not be deemed an Insolvency Filing.

**“Hedging Disruption”** means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

**“Increased Cost of Hedging”** means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

#### **Consequences of Extraordinary Events:**

- Unless an Extraordinary Event is specified as ‘Not Applicable’ in the Final Terms, upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Share). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in

accordance with the paragraph “Notices”, that the relevant consequence of the Extraordinary Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

### **Share Index or Basket of Share Indices**

The terms applicable to an Index will differ, depending on whether the Index is specified in the relevant Final Terms to be Multiple Exchange or not. The applicable provisions below will apply.

- Terms applicable irrespective of whether an Index is Multiple Exchange or not

#### *Definitions*

**Index:** Means the index specified as such in the relevant Final Terms.

**Index Basket:** Means a basket of indices as specified in the relevant Final Terms.

**i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Index in the Index Basket separately.

**w:** Means the weight of a certain Index in the Index Basket.

**Index Sponsor:** Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level for the relevant Index on a regular basis during each Scheduled Trading Day.

**Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Index at the Valuation Time on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Initial Averaging Date.

**Final Price:** Means the level of the relevant Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Index as of the Valuation Time on each Averaging Date.

**Initial Valuation Date:** Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Initial Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

**Valuation Date:** Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Trading Day in respect of the relevant Index, the Final Price of such Index shall be determined on the basis of the level of such Index as calculated on the immediately following Scheduled Trading Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.

**Relevant Price:** Means the level of the relevant Index determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.

**Scheduled Closing Time:** Means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

#### *Consequences of Disrupted Days*

If any Valuation Date is a Disrupted Day, then:

- a. if the Underlying is an Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a



- Disrupted Day and (ii) the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day); and
- b. if the Underlying is a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

#### *Adjustment to Indices*

(A) If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that index (the “**Successor Index**”) will be deemed to be the Index.

(B) If (i) on or prior to any Valuation Date in respect of an Index, the relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) (an “**Index Modification**”) or permanently cancels the Index and no Successor Index exists (an “**Index Cancellation**”) or (ii) on any Valuation Date, the Index Sponsor fails to calculate and announce a relevant Index (an “**Index Disruption**” and together with an Index Modification and an Index Cancellation, each an “**Index Adjustment Event**”), the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and if so, shall calculate the level of the Index, using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and the method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event.

For the purpose hereof “**Index Sponsor**” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (b) announces (directly or through an agent) the level of the Index on a regular basis during each Scheduled Trading Day.

#### *Extraordinary Events*

##### **“Change in Law”**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Index, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such Change in Law.

In that respect, "Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions relating to the Notes.

**"Hedging Disruption"**

means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

**"Increased Cost of Hedging"**

means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

**Consequences of Extraordinary Events:**

- Unless an Extraordinary Event is specified as 'Not Applicable' in the Final Terms, upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Index Adjustment Event or Change in Law shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.
- Terms applicable to an Index that is not Multiple Exchange

*Definition*

**Exchange:** Means each exchange or quotation system specified as such for such Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Shares underlying such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

**Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

**Valuation Time:** Means the time on the relevant Valuation Date, specified as such in the related Final terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

**Scheduled Trading Day:** Means any day on which the Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Exchange Business Day:** Means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

#### *Market Disruption*

**“Market Disruption Event”** means in respect of an Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a security included in the relevant Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

In that respect, **“Trading Disruption”** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, **“Exchange Disruption”** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) securities that comprise 20 percent or more of the level of the relevant Index, or (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

In that respect, **“Early Closure”** means the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

In addition, in that respect **“Disrupted Day”** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

- Terms applicable to an Index that is Multiple Exchange

#### *Definition*

**Exchange:** Means in respect of each component security of the Index (each, a “Component Security”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

**Related Exchange:** Means, each exchange or quotation system specified as such for the relevant Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where “All Exchanges” is specified as the Related Exchange in the relevant Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as

determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

**Valuation Time:** Means: (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official level of the Index is calculated and published by the Index Sponsor.

**Scheduled Trading Day:** Means any day on which: (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**Exchange Business Day:** Means any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index; and (ii) the Related Exchange is open for trading during its respective regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

#### *Market Disruption*

**“Market Disruption Event”** means either

- i.
  - a. the occurrence or existence, in respect of any Component Security of:
    1. a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
    2. an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; OR
    3. an Early Closure in respect of such Component Security; AND
  - b. (b) the aggregate of all Component Security in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR
- ii. the occurrence or existence, in respect of futures or options contracts relating to the Index, of:
  - (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event in respect of any Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security at any time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security and (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

In that respect, **“Trading Disruption”** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, **“Exchange Disruption”** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange, in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

In that respect, **“Early Closure”** means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange (as the case may be) at

least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

In addition, in that respect “**Disrupted Day**” means any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred.

### **Fund or Basket of Funds**

#### *Definitions*

**Reference Fund:** Means the Reference Fund specified as such in the relevant Final Terms.

**Fund Basket:** Means a basket of Reference Funds as specified in the relevant Final Terms.

**i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Reference Fund in the Fund Basket separately.

**w:** Means the weight of a certain Reference Fund in the Fund Basket.

**Fund Interest Unit:** Means a notional unit of account of ownership in a Reference Fund, whether a share or another type of unit.

**Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date, or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Initial Averaging Date.

**Final Price:** Means the Relevant Price of a Fund Interest Unit in the relevant Reference Fund for the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant Fund Interest Unit in the relevant Reference Fund as of the Valuation Time on each Averaging Date.

**Initial Valuation Date:** Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Initial Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

**Valuation Date:** Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Fund Valuation Date in respect of the relevant Reference Fund, the Final Price of a Fund Interest Unit in such Reference Fund shall be determined on the basis of the Relevant Price of such Fund Interest Unit as calculated on the immediately following Scheduled Fund Valuation Date, or, if Averaging is specified as applicable, means the final Averaging Date.

**Relevant Price:** Means the price of the relevant Fund Interest Unit as published by the Fund Administrator.

In case a price in respect of any Valuation Date is not published by the fourth Scheduled Fund Valuation Date, the Calculation Agent may determine such price taking into account prevailing market conditions.

**Scheduled Fund Valuation Date:** Means any date in respect of which the relevant Reference Fund (or its service provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interest Units); to determine the value of such Fund Interest Unit or, if the relevant Reference Fund only reports its aggregate net asset value, the date in respect of which such Reference Fund is scheduled to determine its aggregate net asset value.

**Fund Documents:** Means, with respect to any Fund Interest Unit, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Fund Interest Unit, as amended from time to time.

### *Potential Adjustment Events*

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date of a Potential Adjustment Event (as defined below), the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units and if so will:

- i. make the corresponding adjustment(s), if any, to any relevant variable in the Variable Linked formulae of the Notes, which may include the Initial Price or the Final Price, used to calculate any Variable Linked Rate or Variable Linked Redemption Amount as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest Unit) and
- ii. determine the effective date(s) of the adjustment(s).

For the purpose hereof, “**Potential Adjustment Event**” shall mean any of the following:

- a subdivision, consolidation or reclassification of relevant Fund Interest Units or a free distribution or dividend of any such Fund Interest Units to existing holders by way of bonus, capitalisation or similar issue;
- a distribution, issue or dividend to existing holders of the relevant Fund Interest Units of (a) an additional amount of such Fund Interest Units, or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Fund Interest Units, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- an extraordinary dividend as determined by the Calculation Agent;
- a repurchase by the Reference Fund of relevant Fund Interest Units whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interest Units initiated by an investor in such Fund Interest Units initiated by an investor in such Fund Interest Units that is consistent with the Fund Documents; or
- any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Potential Adjustment Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

### *Extraordinary Events*

Means any of Nationalisation, Insolvency, Fund Insolvency Event, Fund Modification, Strategy Breach, Fund Hedging Disruption, Regulatory Action, Reporting Disruption, Change in Law and Increased Cost of Hedging.

“**Nationalisation**” means that all the Fund Interest Units or all or substantially all the assets of a Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Insolvency**” means that by reason of voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (i) all the fund Interests of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Fund Interest Units of that Reference Fund become legally prohibited from transferring or redeeming them.

“**Fund Insolvency Event**” means, in respect of any Fund Interest Unit, that the related Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (ii) makes a general assignment or arrangement with or for the benefit of its creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other

relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (v) through (vi) above.

**“Fund Modification”** means (i) any change or modification of the related Fund Documents that could reasonably be expected to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent, or (ii) the Reference Fund Investment Manager imposes fees or dealing rules that increase the effective dealing costs relating to any Reference Fund.

**“Strategy Breach”** means any breach or violation of any strategy or investment guidelines stated in the related Fund Documents that is reasonably likely to affect the value of such Fund Interest or the rights or remedies of any holders thereof, in each case, as determined by the Calculation Agent.

**“Fund Hedging Disruption”** means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to such Fund Interest Unit of entering into and performing its obligations under the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (A) any restrictions or increase in charges or fees imposed by the relevant Reference Fund on any investor's ability to redeem such Fund Interest Unit, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Fund Interest Unit, or (B) any mandatory redemption, in whole or in part, of such Fund Interest Unit imposed by the relevant Reference Fund.

**“Regulatory Action”** means, with respect to any Fund Interest Unit, (i) cancellation, suspension or revocation of the registration or approval of such Fund Interest Unit or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Fund Interest Unit or Reference Fund, (ii) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund that is reasonably likely to have an adverse impact on the value of such Fund Interest Unit or on any investor therein (as determined by the Calculation Agent), or (iii) the related Reference Fund or its Fund Investment Manager becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund or Fund Investment Manager.

**“Reporting Disruption”** means, in respect of any Fund Interest Unit, the occurrence of any event affecting such Fund Interest Unit that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest Unit, and such event is expected to continue for the foreseeable future.

**“Change in Law”** means that on or after the Issue Date (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions in the Notes.

**“Increased Cost of Hedging”** means that the Issuer [or the Guarantor] would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to any Fund Interest Unit under the Notes, or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

**Consequences of Extraordinary Events:**

- Unless an Extraordinary Event is specified as 'Not Applicable' in the Final Terms, upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of any Reference Fund, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate (including substitution of any affected Fund Interest Unit). Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Extraordinary Event shall be the early redemption of such Notes. For Nationalization and Insolvency, the relevant consequence will always be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

### **Commodity or Basket of Commodities**

#### *Definitions*

**Commodity:** Means the Commodity specified as such in the relevant Final Terms.

**Commodity Basket:** Means a basket of Commodities as specified in the relevant Final Terms.

**i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity in the Commodity Basket separately.

**w:** Means the weight of a certain Commodity in the Commodity Basket.

**Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the price of the relevant Commodity on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the prices of the relevant Commodity or Commodity Basket as of the Valuation Time on each Initial Averaging Date.

**Final Price:** Means the price of the relevant Commodity at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the prices of the relevant commodity or Commodity Basket as of the Valuation Time on each Averaging Date.

**Initial Valuation Date:** Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Initial Price of such Commodity shall be determined on the basis of the price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

**Valuation Date:** Means any date specified as such in the relevant Final Terms, and if such date is not a Commodity Business Day in respect of the relevant Commodity, the Final Price of such Commodity shall be determined on the basis of the Relevant Price of such Commodity as calculated on the immediately following Commodity Business Day, subject to Market Disruption, or, if Averaging is specified as applicable, means the final Averaging Date.

**Relevant Price:** Means the price of the relevant Commodity determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.

**Commodity Business Day:** Means for the relevant Commodity a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the relevant Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time.

**Exchange:** Means the exchange or principal trading market specified in the relevant Final Terms.

#### *Market Disruption*

**"Market Disruption Event"** means any of (i) Price Source Disruption, (ii) Trading Disruption, (iii) Disappearance of Commodity, (iv) Material Change in Formula, (v) Material Change in Content or (vi) Tax Disruption, as defined



below, except that for a Commodity that is Bullion, (iv) Material Change in Formula and (v) Material Change in Content will not apply.

- i. "Price Source Disruption" means (A) the failure of the Price Source to announce or publish the price (or the information necessary for determining the price) for the relevant Commodity; or (B) the temporary or permanent discontinuance or unavailability of the Price Source.
- ii. "Trading Disruption" means the material suspension of, or the material limitation imposed on, trading in the futures contract on the Commodity or the Commodity on the Exchange. For these purposes:
  - a. a suspension of the trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if:
    1. all trading in the futures contract on the Commodity or the Commodity is suspended for the entire day; or
    2. all trading in the futures contract on the Commodity or the Commodity is suspended subsequent to the opening of trading on that day, trading does not recommence prior to the regularly scheduled close of trading in such futures contract on the Commodity or Commodity on such day and such suspension is announced less than one hour preceding its commencement; and
  - b. a limitation of trading in the futures contract on the Commodity or the Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the futures contract on the Commodity or the Commodity may fluctuate and the closing or settlement price of the futures contract on the Commodity or the Commodity on such day is at the upper or lower limit of that range.
- iii. "**Disappearance of Commodity**" means:
  - a. the permanent discontinuation of trading, in the relevant futures contract on the Commodity; or
  - b. the disappearance of, or of trading in, the relevant Commodity; or
  - c. the disappearance or permanent discontinuance or unavailability of a price for the Commodity, notwithstanding the availability of the related Price Source or the status of trading in the relevant futures contract on the Commodity or the relevant Commodity.
- iv. "**Material Change in Formula**" means the occurrence of a material change in the formula for or the method of calculating the relevant price of the Commodity.
- v. "**Material Change in Content**" means the occurrence of a material change in the content, composition or constitution of the Commodity or relevant futures contract on the Commodity.
- vi. "**Tax Disruption**" means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

"**Bullion**" means Gold, Silver, Platinum or Palladium, as the case may be.

In case a Market Disruption Event occurs the Calculation Agent will determine in good faith and in a commercially reasonable manner the Final Price of the relevant Commodity (or a method for determining the Final Price of the relevant Commodity).

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Market Disruption Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

#### *Extraordinary Events*

##### **"Change in Law"**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Underlying, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such

In that respect, "**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or

any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions relating to the Notes.

**“Hedging Disruption”** means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

**“Increased Cost of Hedging”** means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

#### **Consequences of Extraordinary Events:**

- Unless an Extraordinary Event is specified as ‘Not Applicable’ in the Final Terms Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph “Notices”, that the relevant consequence of the Index Adjustment Event or Change in Law shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

#### **Commodity Index or Basket of Commodity Indices**

##### *Definitions*

**Commodity Index:** Means the Commodity Index specified as such in the relevant Final Terms.

**Commodity Index Basket:** Means a basket of Commodities Indices as specified in the relevant Final Terms.

**i:** The addition of the letter i in subscript to any term indicates that this term is meant to apply to each Commodity Index in the Commodity Index Basket separately.

**w:** Means the weight of a certain Commodity Index in the Commodity Index Basket.

**Initial Price:** Means the price specified as such or otherwise determined in the relevant Final Terms or, if no means for determining the Initial Price are so provided: in respect of the Initial Valuation Date, the level of the relevant Commodity Index or Basket on the Initial Valuation Date, as determined by the Calculation Agent, and in respect of the each subsequent Valuation Date, the Final Price for the Valuation Date immediately preceding such Valuation Date or, if Initial Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Initial Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Initial Averaging Date.

**Final Price:** Means the level of the relevant Commodity Index at the Valuation Time on the relevant Valuation Date, as determined by the Calculation Agent or, if Averaging is specified as applicable under the relevant Final Terms, means the arithmetic mean, as determined by the Calculation Agent on the Valuation Date, of the levels of the relevant Commodity Index or Commodity Index Basket as of the Valuation Time on each Averaging Date.

**Initial Valuation Date:** Means the Issue Date or such other date as specified in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Initial Price of such Commodity Index shall be determined on the basis of the price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Initial Averaging is specified as applicable, means the final Initial Averaging Date.

**Valuation Date:** Means any date specified as such in the relevant Final Terms, and if such date is not a Scheduled Publication Day in respect of the relevant Commodity Index, the Final Price of such Commodity Index shall be determined on the basis of the Relevant Price of such Commodity Index as calculated on the immediately following Scheduled Publication Day, subject to the occurrence of any Commodity Index Event, or, if Averaging is specified as applicable, means the final Averaging Date.

**Relevant Price:** Means the level of the relevant Index or Basket determined by the Calculation Agent at the Valuation Time on the relevant Valuation Date.

**Scheduled Publication Day:** Means any day on which the Commodity Index Sponsor is scheduled to publish the level of the relevant Commodity Index.

**Commodity Index Sponsor:** Means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Commodity Index and (b) announces (directly or through an agent) the level of the Commodity Index on a regular basis.

#### *Commodity Index Event*

If, in the opinion of the Calculation Agent, any Commodity Index is modified by the Commodity Index Sponsor, cancelled by the Commodity Index Sponsor, replaced by a successor commodity index or remains unpublished by the Commodity Index Sponsor, or if, in the opinion of the Calculation Agent, a Commodity Index Market Disruption Event occurs (any of the above events, a "Commodity Index Event"), the Calculation Agent shall determine in its sole discretion, but in good faith and in a commercially reasonable manner, how such Commodity Index Event affects the Notes and what its consequences should be.

If the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent may notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Commodity Index Event shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

A "**Commodity Index Market Disruption Event**" means any of (a) the termination or suspension of, or material limitation or disruption in, the trading of any exchange-traded futures contract included in a relevant Commodity Index, and (b) the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day's settlement price, or (c) the exchange fails to publish official settlement prices for any such contract.

#### *Extraordinary Events*

##### **"Change in Law"**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Underlying, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such Change in Law.

In that respect, "**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions relating to the Notes.

**"Hedging Disruption"** means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset,

**"Increased Cost of Hedging"** means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the

deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

#### **Consequences of Extraordinary Events:**

- Unless an Extraordinary Event is specified as 'Not Applicable' in the Final Terms Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Index Adjustment Event or Change in Law shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

#### ***Inflation Index or Basket of Inflation Indices***

##### *Definitions*

For the purpose of the Inflation Linked Securities, the following terms shall have the meanings set out below:

**"Cut-Off Date"** means, in respect of any Determination Date, five Business Days prior to such Determination Date, unless otherwise stated in the applicable Final Terms.

**"Delayed Index Level Event"** means, in respect of any Determination Date and an Index, that the relevant Index Sponsor fails to publish or announce the level of such Index (the "Relevant Level") in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time prior to the Cut-Off Date.

**"Determination Date"** means each date specified as such in the applicable Final Terms.

**"Fallback Bond"** means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Index relates and which pays a coupon or redemption amount which is calculated by reference to the Index, with a maturity date which falls on (a) the same day as the Termination Date, (b) the next longest maturity after the Termination Date if there is no such bond maturing on the Termination Date, or (c) the next shortest maturity before the Termination Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

**"Index"** means each index specified as such in the related Final Terms, or any Successor Index.

**"Index Sponsor"** means the entity that publishes or announces (directly or through an agent) the level of the relevant Index.

**"Reference Month"** means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced. If the period for which the Index level was reported is a period other than a month, the Reference Month is the period for which the Index level was reported.

**"Related Bond"** means the bond specified as such in the related Final Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified as the Related Bond and "Fallback Bond: Not Applicable" is specified in the related Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the related Final Terms, and that bond redeems or matures before the Maturity Date specified in the Related Final Terms, unless "Fallback Bond: Not applicable" is specified

in the related Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination under these Definitions.

#### *Index Delay and Disruption Event Provisions*

- Delay of Publication

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Index has occurred with respect to any Determination Date, then the Relevant Level for such Index the subject of such Delayed Index Event (the "Substitute Index Level") shall be determined by the Calculation Agent by using the following methodology:

- i. If Related Bond is specified as applicable for such Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the Related Bond; or
- ii. If (a) Related Bond is not specified as applicable for such Index in the relevant Final Terms, or (b) the Calculation Agent is not able to determine a Substitute Index Level under (i) for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

$$\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level} \div \text{Reference Level})$$

Where:

"**Base Level**" means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means the latest level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being calculated.

"**Reference Level**" means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in "Latest Level" above.

- Cessation of Publication

If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a Successor Index (the "**Successor Index**") (in lieu of any previously applicable Index) by using the following methodology:

- a. If at any time a successor index has been designated by the Calculation Agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a "Successor Index" notwithstanding that any other Successor Index may previously have been determined under paragraphs (b), (c) or (d) below; or
- b. If a Successor Index has not been determined under (a) above and a notice has been given or an announcement has been made by an Index Sponsor, specifying that the Index will be superseded by a replacement Index specified by the Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index for purposes of the Notes from the date that such replacement Index comes into effect; or
- c. If a Successor Index has not been determined under (a) or (b) above the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the Successor Index. If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the Successor Index. If fewer than three responses are received, the Calculation Agent will proceed to subsection (d) hereof; or
- d. If no Successor Index has been deemed under (a), (b) or (c) above by the next occurring Cut-Of Date the Calculation Agent will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a Successor Index.
- e. If the Calculation Agent determines that there is no appropriate alternative index, the Calculation Agent may make any adjustments acting in good faith with an aim to preserve the

economic equivalent of the obligations of the Issuer. The Issuer shall give notice to the holders of the Notes of any such adjustment in accordance with article 9.16 of this prospectus.

- Rebasing of the Index.

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "Rebased Index") will be used for purposes of determining the level of an Index from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if Related Bond is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. If Related Bond, is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased.

- Material Modification Prior to last occurring Cut-Off.

If, on or prior to the last occurring Cut-Off Date, an Index Sponsor announces that it will make a material change to an Index then the Calculation Agent shall make any such adjustments to the Index, if Related Bond is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if Related Bond, is not specified as applicable in the applicable Final Terms, only those adjustments necessary for the modified Index to continue as the Index.

- Manifest Error in Publication.

- i. The first publication or announcement of the Index Level (disregarding estimates) by the Index Sponsor for any Reference Month shall be final and conclusive and, subject to Condition 9.6.7.4.(iii)(II), later revisions to the level for such Reference Month will not be used in any calculations,.
- ii. If, within thirty days of publication or at any time prior to a Determination Date in respect of which an Index Level will be used in any calculation or determination in respect of such Determination Date, the Calculation Agent determines that the Index Sponsor has corrected the Index Level to correct an error which the Calculation Agent determines is material, the Calculation Agent, acting in good faith and in accordance with reasonable market practice, may make any adjustment to the Redemption Amount, interest payable under the Notes (if any) and/or any other relevant term of the Notes as the Calculation Agent, acting in good faith with an aim to preserve the economic equivalent of the obligations of the Issuer. The Issuer shall give notice to the holders of the Notes of any such adjustment and/or amount in accordance with article 9.16. of this Base Prospectus.

#### *Extraordinary Events*

##### **"Change in Law"**

Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of a Change in Law in respect of any Underlying, the Calculation Agent, on or after the effective date of such Change in Law, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the Change in Law to protect the theoretical value of the Notes to the Noteholders immediately prior to such Change in Law.

In that respect, "**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that it has become illegal to hold, acquire or dispose of Hedge Positions relating to the Notes.

**"Hedging Disruption"** means that the Issuer [or the Guarantor] is unable, or it is impractical for the Issuer [or Guarantor], after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to the Underlying of entering into and performing its obligations with respect to the Notes, or (ii) realize, recover or remit the proceeds of any such transaction or asset.

**"Increased Cost of Hedging"** means that the Issuer [or the Guarantor] would incur a materially increased (as compared with the circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any

transactions(s) or asset(s) it deems necessary to hedge the price risk relating to the Underlying, of entering into and performing its obligations with respect to the Notes or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer [or Guarantor] shall not be deemed an Increased Cost of Hedging.

#### **Consequences of Extraordinary Events:**

- Unless an Extraordinary Event is specified as 'Not Applicable' in the Final Terms Upon the occurrence on or after the Issue Date up to and including the last Valuation Date, in the determination of the Calculation Agent, of an Extraordinary Event in respect of the Underlying, the Calculation Agent, on or after the effective date of such Extraordinary Event, may make such adjustments as it, acting in good faith, deems appropriate. Such adjustments to be effective as of the date determined by the Calculation Agent, to account for the effect of the relevant Extraordinary Event to protect the theoretical value of the Notes to the Noteholders immediately prior to such Extraordinary Event.
- For the avoidance of doubt, if the Calculation Agent determines that no adjustment that it could make would produce a commercially reasonable result, the Calculation Agent will notify the Noteholders, in accordance with the paragraph "Notices", that the relevant consequence of the Index Adjustment Event or Change in Law shall be the early redemption of the Notes. In case of such early redemption, the Calculation Agent shall give its good faith estimate of the value of such Notes.

## **9.8 Rounding**

For the purposes of any calculations required pursuant to these Terms and Conditions (unless otherwise specified in the relevant Final Terms), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), and (ii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes "unit" means, the lowest amount of such currency that is available as legal tender in the country of such currency.

## **9.9 Status**

### **9.9.1 Status of Senior Notes**

The Notes that are specified in the Final Terms to be Senior Notes and the payments of principal and interest relating to them are direct, unconditional and unsecured obligations of the relevant Issuer and rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, from time to time outstanding (save for certain obligations required to be preferred by law).

### **9.9.2 Status of Subordinated Notes**

The Notes that are specified in the Final Terms to be Senior Subordinated Notes and the payments of principal and interest relating to them are direct, unsecured and senior subordinated obligations of the relevant Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligation of the Issuer under the Senior Subordinated Notes and the payments of principal and interest relating to them shall at all times rank equally with all other Senior Subordinated Obligations (as defined below).

Subordinated Notes that constitute Lower Tier II Capital will have a minimum maturity of five years.

Early Redemption for any Senior Subordinated Note can only occur at the option of the relevant Issuer. In case of early redemption of AXA BANK Senior Subordinated Notes by the Issuer, an approval must be obtained from the Belgian Financial Services and Markets Authority.

In the event of a moratorium (in the case of AXA BANK "reorganisation judiciaire/gerechtelijke reorganisatie" and in the case of ABF(NL) "surséance van betaling"<sup>2</sup>), bankruptcy ("faillite/faillissement") or liquidation of the Issuer (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer), the rights of the holders of Senior Subordinated Notes shall rank ahead of:

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<sup>2</sup> This concept under Dutch law means "suspension of payment".

- i. those persons whose claims are in respect of any class of equity (including preference shares) of the Issuer; and
- ii. creditors whose claims are in respect of any obligations of the Issuer that rank or are expressed to rank (whether only in the winding up of the Issuer or otherwise) junior to Senior Subordinated Obligations,

but shall be subordinated to the claims of: all Senior Creditors of the relevant Issuer.

“**Senior Creditors**” means all creditors who are depositors or other general, unsubordinated creditors; and

“**Senior Subordinated Obligations**” means all indebtedness and monetary obligations of the relevant Issuer present and future, including any guarantee by the relevant Issuer, that rank or are expressed to rank junior in right of payment (whether only in the event of the winding up of the relevant Issuer or otherwise) to the claims of Senior Creditors but that are not subordinated so as to rank in point of subordination to any other obligations of the relevant Issuer.

## 9.10 Clearing Systems

The clearing systems operated by Euroclear Bank SA/N.V. (“Euroclear”), Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), the BNB system, and such other clearing system as may be agreed between the Issuer and the Fiscal Agent and as specified in the relevant Final Terms.

## 9.11 Events of Default

In any of the following events (“Events of Default”) any Noteholder may by written notice to the Issuer and, in the case of ABF(NL) Notes, the Guarantor at its or their specified office declare his Note or Notes immediately due and payable, and thereupon an early redemption shall occur, unless, prior to the giving of such notice, all Events of Default shall have been cured:

- a. if default is made by the Issuer for a period of 30 calendar days or more in the payment of the final Redemption Amount, or interest on the Notes when and as the same shall become due and payable; or
- b. in the event of default by the Issuer or, in the case of ABF(NL) Notes, the Guarantor, as the case may be, in the due performance of any other obligation under the terms and conditions of the Notes, unless remedied within 45 days after receipt of a written notice thereof given by any Noteholder to the Issuer; or
- c. in the event of a merger, consolidation or other reorganization of the Issuer or, in the case of ABF(NL) Notes, the Guarantor with, or a sale or other transfer by the Issuer or, in the case of ABF(NL) Notes, the Guarantor of all or a substantial part of its assets to, any other incorporated or unincorporated person or legal entity, unless, in each case not involving or arising out of insolvency, the person or entity surviving such merger, consolidation or other reorganization or to which such assets shall have been sold or transferred shall have assumed expressly and effectively or by law all obligations of the Issuer or, in the case of ABF(NL) Notes, the Guarantor, as the case may be, with respect to the Notes and, the interests of the holders of Notes are not materially prejudiced thereby; or
- d. in the event that the Issuer or, in the case of ABF(NL) Notes, the Guarantor is adjudicated bankrupt or insolvent, or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of its creditors, or enters into a composition with its creditors, or applies for a moratorium, or institutes or has instituted any proceedings under any applicable bankruptcy law, insolvency law, composition law or any law governing the appointment of a receiver, administrator, trustee or other similar official for the whole or any substantial part of its assets or property or any other similar law, or in the event that any such proceedings are instituted against the Issuer or, in the case of ABF(NL) Notes, the Guarantor and remain undismissed for a period of 30 days, or
- e. if, for any reason, the Guarantee ceases to be in full force and effect.

The early redemption amount of the Notes shall be determined by the Calculation Agent, in accordance with market practice and acting in good faith.

Notice of any Event of Default shall be given to the Noteholders in accordance with the Condition 9.16 Notices.

## 9.12 Modifications of the Agency Agreement

The Issuer and, in the case of ABF(NL) Notes, the Guarantor shall only permit any modification of, or any waiver or authorization of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.



### **9.13 Responsibility of the Calculation Agent**

All calculations shall be made in a commercially reasonable manner. The Calculation Agent shall have no responsibility to Noteholders for good faith errors or omissions in its calculations (without limitation, errors or omissions due to events which are not under the direct control of the Calculation Agent) and determinations as provided in the Terms and Conditions, except for those resulting from the gross negligence or intentional misconduct of the Calculation Agent. The calculations and determinations of the Calculation Agent shall be made in accordance with the Terms and Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of manifest error, be final, conclusive and binding on the Issuer and the Noteholders. The Calculation Agent acts solely as agent of the Issuer and does not assume any obligations or duty to, or any relationship of agency or trust for or with, the Noteholders.

### **9.14 Prescription**

Claims against the Issuer or, in the case of ABF(NL) Notes, the Guarantor for payment in respect of any Note shall be prescribed and become void unless made within a period of five years after the date on which such payment first becomes due.

### **9.15 Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or, in the case of ABF(NL) Notes, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or, in the case of ABF(NL) Notes, the Guarantor shall only constitute a discharge to the Issuer or, in the case of ABF(NL) Notes, the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer, failing whom, in the case of ABF(NL) Notes, the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom, in the case of ABF(NL) Notes, the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and, in the case of ABF(NL) Notes, the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

### **9.16 Substitution**

The Issuer may, at any time, without any further consent or cooperation from the Noteholders, substitute for itself as principal debtor under the Notes, any company (the "Substitute") provided that:

- a. the Substitute is the ultimate parent company of the group to which the Issuer belongs upon the substitution being effective or a (direct or indirect) subsidiary of such ultimate parent company;
- b. in the case of AXA BANK Notes, the Substitute has a long term credit rating of at least the same level as the Issuer and (except in case of merger by way of absorption of AXA BANK) AXA BANK, unconditionally and irrevocably guarantees the due and punctual payment of the principal of and interest on the AXA BANK Notes outstanding upon the substitution as well as of any additional amounts which may be required to be paid by the Substitute under the then outstanding AXA BANK Notes;
- c. in the case of AXA BANK Senior Subordinated Notes, the National Bank of Belgium has consented to such substitution;
- d. no payment of any Redemption Amount or of interest on any Note is overdue and no other circumstances exist capable of causing the acceleration of maturity of the Notes;
- e. the Substitute assumes all obligations and liabilities of the substituted Issuer in its capacity as debtor arising from, or in connection with, the Notes;

- f. the Substitute shall agree to indemnify the holders of each Note against: all tax, duty, fee or governmental charge which is imposed on such holder by the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation or any political subdivision or taxing authority thereof or therein with respect to such Note and which would not have been so imposed had such substitution not been made; and any costs or expenses incurred in connection with any such substitution; and
- g. in the case of ABF(NL) Notes, the Guarantor consents to such substitution and the substitution is subject to the Guarantor irrevocably and unconditionally guaranteeing on a senior basis (in the case of Senior Notes) or on a subordinated basis (in the case of Senior Subordinated Notes) the obligations of the Substitute on the same terms mutatis mutandis as the relevant Senior Guarantee or Senior Subordinated Guarantee; if the Issuer is substituted by the Guarantor, there is no requirement for an additional and separate guarantee of the obligations under the Notes.

Notice of any substitution shall be given to the Noteholders in accordance with Condition 9.17 Notices.

The right of substitution set out in this Condition 9.16 aims to enable intragroup reorganisations, such as mergers or reallocation of financing activities within the group (which may be driven by a variety of reasons, such as structural optimization, regulatory changes).

## 9.17 Notices

A notification to the Noteholders shall be made either by AXA BANK directly (for Notes held on securities accounts with AXA BANK) or by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and BNB for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and BNB.

In addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will also be published in a daily newspaper of general circulation in the place or places required by those rules. Where the relevant Issuer is AXA BANK and to the extent required by Belgian company law, the notice will also be published in the *Moniteur Belge-Belgisch Staatsblad* and in a leading Belgian daily newspaper of general circulation in Brussels. It is expected that any such publication in a newspaper will be made in *De Tijd* and/or *L'Echo* in Brussels.

If definitive ABF (NL) Notes are delivered to Noteholders instead of being represented by a Global Note, all notices regarding the ABF (NL) Notes will be made by way of publication in a leading daily newspaper of general circulation in the places where the ABF (NL) Notes were offered to the public without prejudice to requirements of Dutch company law (as may be applicable) and applicable listing requirements for so long as any Notes are listed.

Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and BNB.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. In respect of AXA Notes and whilst any of the ABF (NL) Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg and BNB, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg and BNB, as the case may be, may approve for this purpose.

## 9.18 Meeting of Noteholders

### 9.18.1 Definitions

1. references to a meeting are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment
2. references to "Notes" and "Noteholders" are only to the Notes of the Series in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively
3. "agent" means a holder of a voting certificate or a proxy for, or representative of, a Noteholder
4. "block voting instruction" means an instruction issued in accordance with clause 9.18.4 paragraphs 4 to 8
5. "Extraordinary Resolution" means a resolution passed at a meeting duly convened and held in accordance with this Agreement by a majority of at least 75 per cent of the votes cast

6. "voting certificate" means a certificate issued in accordance with clause 9.18.4 paragraphs 1, 2, and 3 and
7. references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Notes for the time being outstanding.

#### **9.18.2 Powers of Meetings**

A meeting shall, subject to the Terms and Conditions and without prejudice to any powers conferred on other persons by the Agency Agreement, have power by Extraordinary Resolution:

1. to sanction any proposal by the relevant Issuer or the Guarantor or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or the Guarantor, whether or not those rights arise under the Notes
2. to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other entity
3. to assent to any modification of the Agency Agreement, the Notes proposed by the Issuer, the Guarantor or the Fiscal Agent
4. to authorize anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution
5. to give any authority, direction or sanction required to be given by Extraordinary Resolution
6. to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution and
7. to approve the substitution of any entity for the relevant Issuer or the Guarantor (or any previous substitute) as principal debtor or guarantor in circumstances not provided for in the Terms and Conditions
8. provided that the special quorum provisions in clause 9.18.7 paragraph 4 shall apply to any Extraordinary Resolution (a "special quorum resolution") for the purpose of sub-paragraph 2.2 or 2.7, any of the proposals listed in Condition 12(a) or any amendment to this provision.

#### **9.18.3 Convening a Meeting**

1. The relevant Issuer or the Guarantor may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent in principal amount of the Notes of any Series for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Noteholders of that Series. The meeting shall be held at a time and place as determined by the Issuer or, where applicable, the Guarantor, subject to, in the case of ABF(NL) Notes, approval by the Fiscal Agent.
2. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives, obtain voting certificates and use block voting instructions and the details of the time limits applicable.

#### **9.18.4 Arrangements for Voting**

1. If a Noteholder Note wishes to obtain a voting certificate in respect of it for a meeting, he must notify the Paying Agent at least 48 hours before the time fixed for the meeting. The Paying Agent shall then issue a voting certificate in respect of it.
2. A voting certificate shall:
  - be a document in the English language;
  - be dated;
  - specify the meeting concerned and the serial numbers of the Notes and
  - entitle, and state that it entitles, its bearer to attend and vote at that meeting in respect of those Notes.
3. Once a Paying Agent has issued a voting certificate for a meeting in respect of a Note, it shall not release the Note until either:
  - the meeting has been concluded or
  - the voting certificate has been surrendered to the Paying Agent.

4. If a Noteholder wishes the votes attributable to it to be included in a block voting instruction for a meeting, then, at least 48 hours before the time fixed for the meeting, (i) he must notify for that purpose the Paying Agent and (ii) he or a duly authorized person on his behalf must direct the Paying Agent how those votes are to be cast. The Paying Agent shall issue a block voting instruction in respect of the votes attributable to all Notes for which it has received such notification.
5. A block voting instruction shall:
  - be a document in the English language
  - be dated
  - specify the meeting concerned
  - list the total number and serial numbers of the Notes, distinguishing with regard to each resolution between those voting for and those voting against it
  - certify that such list is in accordance with directions received as provided in paragraphs 8, 10 and 13 and
  - appoint a named person (a “proxy”) to vote at that meeting in respect of those Notes and in accordance with that list. A proxy need not be a Noteholder.
6. Once a Paying Agent has issued a block voting instruction for a meeting in respect of the votes attributable to any Notes the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the meeting.
7. Each block voting instruction shall be deposited at least 24 hours before the time fixed for the meeting at the specified office of the relevant Issuer or the Guarantor or such other place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. If the Issuer requires, a notarial certified copy of each block voting instruction shall be produced by the proxy at the meeting but the Issuer need not investigate or be concerned with the validity of the proxy’s appointment.
8. A vote cast in accordance with a block voting instruction shall be valid even if it or any of the Noteholders’ instructions pursuant to which it was executed has previously been revoked or amended, unless written intimation of such revocation or amendment is received from the relevant Issuer by the chairman of the meeting in each case at least 24 hours before the time fixed for the meeting.
9. No instructions may be giving by the Noteholder to the Paying Agent at the same time for the purposes of both paragraph 5 and paragraph 8 for the same meeting.

#### **9.18.5 Chairman**

The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

#### **9.18.6 Attendance**

The following may attend and speak at a meeting:

1. Noteholders and agents
2. the chairman
3. the Issuer, the Guarantor and the Fiscal Agent as applicable (through their respective representatives) and their respective financial and legal advisers

#### **9.18.7 Quorum and Adjournment**

1. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.
2. Two or more Noteholders or agents present in person shall be a quorum:
  - i. in the cases marked “No minimum proportion” in the table below, whatever the proportion of the Notes which they represent.

- ii. in any other case, only if they represent the proportion of the Notes shown by the table below.

Column 1	Column 2	Column 3	Column 4
Purpose of Meeting	Any meeting except one referred to in column 3	Meeting previously once adjourned through want of a quorum	Meeting previously twice adjourned through want of a quorum
	Required proportion	Required Proportion	Required Proportion
To pass a special quorum resolution	two thirds	one third	No minimum proportion
To pass any other Extraordinary Resolution	A clear majority	No minimum proportion	No minimum proportion
Any other purpose	10 per cent	No minimum proportion	No minimum proportion

3. The chairman may (and shall if directed by a meeting) adjourn the meeting "from time to time and from place to place". Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this clause.
4. At least 10 days' notice of a meeting adjourned for want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

#### **9.18.8 Voting**

1. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor or one or more persons representing 2 per cent of the Notes.
2. Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.
3. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.
4. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.
5. On a show of hands every person who is present in person and who produces a voting certificate or is a proxy or representative has one vote. On a poll every such person has one vote in respect of each principal amount equal to the minimum denomination of such Series of Notes so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.
6. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

#### **9.18.9 Effect and Publication of an Extraordinary Resolution**

An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

#### **9.18.10 Minutes**

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to

have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

## 9.19 Governing Law and Jurisdiction

The Notes and the Guarantee are governed by, and shall be construed in accordance with, Belgian law.

All disputes arising out of or in connection with the Notes or the Guarantee shall be submitted to the jurisdiction of the competent courts in Belgium.

The Agency Agreement is governed by Luxembourg law with respect to Bearer Notes and by Belgian law with respect to Dematerialized Notes.

## 9.20 Financial Service

The financial service will be performed by AXA BANK (Belgium) and BIL (Luxembourg).

## 9.21 Representation of Debt Security Holders

There is no representation of debt security holders in relation to any offer of Notes.

## 9.22 Guarantee

Sections 9.21.1 and 9.21.2 below only apply to ABF(NL) Notes.

### 9.22.1 Senior Guarantee

The Guarantor has, by a Senior guarantee, unconditionally and irrevocably guaranteed on an unsubordinated basis the due and punctual payment of the principal of and interest on the Senior Notes as well as of any additional amounts which may be required to be paid by ABF(NL) (as described under 10. Taxation) (the “Senior Guarantee” and a “Guarantee”, see Annex 2).

The obligations of the Guarantor under the Senior Guarantee are direct, unconditional and unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.

### 9.22.2 Subordinated Guarantee

The Guarantor has, by a senior subordinated guarantee, unconditionally and irrevocably guaranteed on a senior subordinated basis, the due and punctual payment of the principal of and interest on the Senior Subordinated Notes as well as of any additional amounts which may be required to be paid by ABF(NL) (as described under 10. Taxation) , (the “Senior Subordinated Guarantee” and a “Guarantee”, see Annex 3).

In the event of a dissolution or liquidation of the Guarantor (including the following events creating a “*concours de créanciers/samenloop van schuldeisers*”: bankruptcy (“*faillite/faillissement*”); judicial reorganisation (“*reorganisation juridique/gerechtelijke reorganisatie*”) and judicial or voluntary liquidation (“*liquidation volontaire ou force/vrijwillige of gedwongen liquidatie*”) (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Guarantor)), the Holders of Senior Subordinated Notes irrevocably waive their rights to equal treatment with other unsecured creditors (“*créanciers chirographaires/chirografaire schuldeisers*”). Consequently, the Holders of Senior Subordinated Notes agree that upon the occurrence of any of the events described in the preceding sentence, the Guarantor will have no obligation to pay any principal or interest due to them until all Senior Creditors (as defined above) of the Guarantor have been paid, or the funds necessary to satisfy the Senior Creditors have been put in escrow (“*en consignation/in consignatie*”).

On demand, the Noteholders can have access to a copy of the Guarantee by contacting one of the Paying Agents during normal business hours.

## 10 TAXATION

**TRANSACTIONS INVOLVING THE NOTES MAY HAVE TAX CONSEQUENCES FOR PROSPECTIVE INVESTORS WHICH MAY DEPEND, AMONGST OTHER THINGS, UPON THE STATUS OF THE PROSPECTIVE INVESTOR AND LAWS RELATING TO TRANSFER AND REGISTRATION TAXES,**

**PROSPECTIVE INVESTORS WHO ARE IN ANY DOUBT ABOUT THE TAX POSITION OF ANY ASPECT OF TRANSACTIONS INVOLVING NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS.**

The following is a general description of certain Belgian, Luxembourg, Netherlands, French, German, Greek, Spanish and Portuguese tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Belgium, Luxembourg, France, Spain, Portugal, Greece, Germany and/or The Netherlands of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including but not limited to, the legality of transactions involving the Notes.

Except for Belgium and the Netherlands (as jurisdictions of the Issuers of the Notes), the following section only covers certain withholding tax considerations for the relevant jurisdictions and does not refer to the related overall income tax position of Noteholders.

## **10.1 Belgian Taxation on the Notes**

The following is a general description of the principal Belgian tax consequences for investors receiving interest in respect of or disposing of, the Notes issued by AXA BANK and the Notes issued by ABF(NL) and is of a general nature based on the issuers' understanding of current law and practice. This general description is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date (for example the rate of the withholding tax). Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting the Notes issued by AXA BANK and/or ABF(NL) under the laws of their countries of citizenship, residence, ordinary residence or domicile.

### **10.1.1 Notes issued by AXA Bank**

#### ***Belgian Withholding Tax***

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to the 25 per cent. Belgian withholding tax on the gross amount of the interest.

In this regard, "interest" means the periodic interest income and any amount paid by the Issuer in excess of the issue price (whether or not on the maturity date).

However, payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the "Eligible Investors", see hereinafter) in an exempt securities account (an "X Account") that has been opened with a financial institution that is a direct or indirect participant (a "Participant") in the X/N Clearing System operated by the National Bank of Belgium (the "NBB" and the "X/N System"). Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose. Holding the Notes through the X/N System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Participants to the X/N system must enter the Notes which they hold on behalf of Eligible Investors in an X Account.

Eligible Investors are those entities referred to in article 4 of the Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier (Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax) which include, inter alia:

- i. Belgian corporations subject to Belgian corporate income tax;
  - a. institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° subject to the application of article 262, 1° and 5° of the Income Tax Code of 1992;
  - b. state regulated institutions ("institutions paraétatiques", "parastatalen") for social security, or institutions which are assimilated therewith, provided for in article 105, 2° of the Royal Decree implementing the Income Tax Code 1992;
- ii. non-resident investors provided for in article 105, 5° of the same decree;

- a. investment funds, recognised in the framework of pension savings, provided for in article 115 of the same decree;
- b. tax payers provided for in article 227, 2<sup>o</sup> of the Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the same code;
- c. the Belgian State in respect of investments which are exempt from withholding tax in accordance with a article 265 of the Income Tax Code 1992;
- d. investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and,
- e. Belgian resident corporations not provided for under (i), when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, inter alia, Belgian resident investors who are individuals or nonprofit making organizations, other than those mentioned under (a) and (b) above.

Participants to the X/N System must keep the Notes which they hold on behalf of the non-Eligible Investors in a non-exempt securities account (an "N Account"). In such instance all payments of interest are subject to the 25 per cent. withholding tax. This withholding tax is withheld by the NBB and paid to the Belgian Treasury.

Transfers of Notes between an X Account and an N Account give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N Account (to an X Account or N Account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer (from an X Account or N Account) to an N Account gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- Transfers of Notes between two X Accounts do not give rise to any adjustment on account of withholding tax.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration requirement to the X/N System as to the eligible status.

An Exempt Account may be opened with a Participant by an intermediary (an "Intermediary") in respect of Notes that the Intermediary holds for the account of its clients (the "Beneficial Owners"), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor, and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to Notes held in Euroclear or Clearstream, Luxembourg as Participants to the X/N Clearing System, provided that Euroclear or Clearstream only hold X Accounts and that they are able to identify the holders for whom they hold Notes in such account.

In accordance with the X/N System, a Noteholder who is withdrawing Notes from an Exempt Account will, following the payment of interest on those Notes, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding on the interest payable on the Notes from the last preceding Interest Payment Date until the date of withdrawal of the Notes from the X/N System. As a condition of acceptance of the Notes into the X/N System, the Noteholders waive the right to claim such indemnity.

### **Belgian Income Tax and Capital Gains**

#### *Belgian resident individuals*

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax ("Personenbelasting"/"Impôt des personnes physiques") and who hold the Notes as a private investment, are subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as "interest": (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as "fixed income securities" (in the meaning of article 2, §1, 8<sup>o</sup> Belgian Income Tax Code),



in case of a transfer of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks ('kasbon'/'bon de caisse') and other similar securities, including securities where income is capitalized or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalized interest up to the maturity date of the security.

Payments of interest on the Notes as defined here above under (i) and (ii) will in principle be subject to a 25 per cent withholding tax in Belgium. Belgian natural persons do not have to declare the interest on the Notes in their personal income tax return.

Interest income which is declared in the annual personal income tax return will in principle be taxed at a flat rate of 25 per cent. increased with local surcharges. The Belgian withholding tax levied may be credited.

Interest amounts as defined here above under (iii) on Notes issued outside X/N, are not subject to Belgian withholding tax at the level of the Issuer. The transferor will be required to declare this (accrued) interest amount in his/her personal income tax return. The transferor is in principle entitled to claim a credit in his tax return for the financial withholding tax i.e. the discount on the sales price demanded by the transferee in relation to the cost of 25% Belgian withholding tax on the accrued interest which will be borne by the transferee at a later date ("financial withholding tax").

Interest amounts as defined here above under (iii) on Notes issued within X/N, will be subject to Belgian withholding tax levied by NBB (cfr. supra) on behalf of the transferor. The transferor will be required to declare this (accrued) interest amount in his/her personal income tax return, but is entitled to claim a tax credit in his tax return for the 25% withholding tax levied at source.

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains are realized outside the scope of the management of one's private estate or unless the capital gains qualify as interest (as defined in section 1.1 entitled "Belgian Withholding Tax"). Capital losses are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

#### *Belgian resident companies*

Interest attributed or paid to corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to the Belgian Corporate Income Tax ("vennootschapsbelasting"/"impôt des sociétés"), as well as capital gains realized upon the sale of the Notes are taxable at the ordinary corporate income tax rate of in principle 33.99 per cent. Capital losses realized upon the sale of the Notes are in principle tax deductible.

#### *Belgian legal entities*

Belgian legal entities subject to the Belgian legal entities tax ("rechtspersonenbelasting"/"impôts des personnes morales") which do not qualify as Eligible Investors are subject to a withholding tax of 25 per cent. on interest payments as defined above (at "Belgian resident individuals" in the present section) under (i) and (ii). The withholding tax constitutes the final taxation.

Belgian legal entities which qualify as Eligible Investors (see Section 10.1.1.1 above entitled "Belgian Withholding Tax") and which consequently have received gross interest income are required to declare and pay the 25 per cent. withholding tax to the Belgian tax authorities.

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as defined as defined above (at "Belgian resident individuals" in the present section) under (iii)). Capital losses are in principle not tax deductible.

#### *Organization for Financing Pensions*

Interest and capital gains derived by Organizations for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle exempt from Belgian Corporate Income Tax. Capital losses are in principle not tax deductible. Subject to certain conditions, the Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

#### *Belgian non-residents*

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

### ***Tax on stock exchange transactions***

A *taxe sur les opérations de bourse* (tax on stock exchange transactions) will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of Euro 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A *taxe sur les reports* (tax on repurchase transactions) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of Euro 650 per transaction and per party).

However none of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the *Code des droits et taxes divers* (Code of various duties and taxes) for the *taxe sur les opérations de bourse* and Article 139, second paragraph, of the same code for the *taxe sur les reports*.

### ***European Directive on taxation of savings income in the form of interest payments***

The EU has adopted a directive (European Council Directive 2003/48/EC) regarding the taxation of savings income (hereinafter “Savings Directive”). The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons resident in another Member State (hereinafter “Disclosure of Information Method”), except that Austria and Luxembourg may instead impose a withholding system (hereinafter “Source Tax”) for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), unless during such period they elect otherwise. A number of third countries and territories have adopted similar measures to the Savings Directive.

#### ***Individuals not resident in Belgium***

Interest paid or collected through Belgium on the Notes and falling under the scope of application of the Savings Directive will be subject to the Disclosure of Information Method.

#### ***Individuals resident in Belgium***

An individual resident in Belgium will be subject to the provisions of the Savings Directive, if he receives interest payments from a paying agent (within the meaning of the Savings Directive) established in another EU Member State, Switzerland, Liechtenstein, Andorra, Monaco, San Marino, Curaçao, Bonaire, Saba, Sint Maarten, Sint Eustatius (formerly the Netherlands Antilles), Aruba, Guernsey, Jersey, the Isle of Man, Montserrat, the British Virgin Islands, Anguilla, the Cayman Islands or the Turks and Caicos Islands.

If the interest received by an individual resident in Belgium has been subject to a Source Tax, such Source Tax does not liberate the Belgian individual from declaring the interest income in the personal income tax declaration. The Source Tax will be credited against the personal income tax. If the Source Tax withheld exceeds the personal income tax due, the excessive amount will be reimbursed, provided it reaches a minimum of Euro 2.5.

## **10.1.2 Notes Issued by ABF(NL)**

### ***Withholding Tax and Income Tax***

#### ***Belgian resident individuals***

Natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (“*Personenbelasting*”/“*Impôt des personnes physiques*”) and who hold the Notes as a private investment, are in Belgium subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as “interest”: (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as “fixed income securities” (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a transfer of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. “Fixed income securities” are defined as bonds, specific debt certificates issued by banks (*‘kasbon’/‘bon de caisse’*) and other similar securities, including securities where income is

capitalized or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalized interest up to the maturity date of the security.

Payments of interest on the Notes as defined here above under (i) and (ii) made through a paying agent in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). Belgian natural persons do not have to declare the interest on the Notes in their personal income tax return

Interest amounts as defined here above under (iii) on Notes made through a paying agent in Belgium are not subject to Belgian withholding tax. The transferor will be required to declare this (accrued) interest amount in his/her personal income tax return.

Interest income which is declared in the annual personal income tax return will in principle be taxed at a flat rate of 25 per cent. Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gains are realized outside the scope of the management of one's private estate or unless the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

#### *Belgian resident companies*

Corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian Corporate Income Tax ("Vennootschapsbelasting"/"Impôt des sociétés") are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes and capital gains realized on the Notes will be subject to Belgian corporate income tax of 33.99 per cent. Capital losses are in principle deductible.

Interest payments on the Notes made through a paying agent in Belgium can under certain circumstances be exempt from withholding tax, provided a special certificate is delivered. The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

#### *Belgian legal entities*

Legal entities Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian tax on legal entities ("Rechtspersonenbelasting"/"impôt des personnes morales") are in Belgium subject to the following tax treatment with respect to the Notes.

Payments of interest, as defined above (at "Belgian resident individuals" in the present section) under (i) and (ii), on the Notes made through a paying agent in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium and no further tax on legal entities will be due on the interest.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is required to declare and pay the 25 per cent withholding tax to the Belgian tax authorities.

Capital gains realized on the sale of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined above (at "Belgian resident individuals" in the present section) under (iii)). Capital losses are in principle not tax deductible.

#### *Organization for Financing Pensions*

Belgian pension fund entities that have the form of an Organization for Financing Pensions (OFP) are subject to Belgian Corporate Income Tax ("Vennootschapsbelasting"/"Impôt des sociétés"). OFPs are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by OFP Noteholders on the Notes and capital gains realized on the Notes will be exempt from Belgian Corporate Income Tax. Capital losses are in principle not tax deductible.

The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

#### *Belgian non-residents*

The interest income as defined above (at "Belgian resident individuals" in the present section) under (i) and (ii) on the Notes paid through a professional intermediary in Belgium will, in principle, be subject to a 25 per cent. withholding tax, unless the Noteholder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors can also obtain an exemption of Belgian withholding tax on interest from the Notes if they are the owners or usufructors of the Notes and they deliver an affidavit confirming that they have not allocated the Notes to business activities in Belgium and that they are non-residents, provided that (i) the interest is paid

through a Belgian credit institution, stock market company or clearing or settlement institution and that (ii) the Notes are not used by the Issuer for carrying on a business in Belgium.

The non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are subject to the same tax rules as the Belgian resident companies (see above). Non-resident Noteholders who do not allocate the Notes to a professional activity in Belgium are not subject to Belgian income tax, save, as the case may be, in the form of withholding tax.

#### ***Tax on stock exchange transactions***

A *taxe sur les opérations de bourse* (tax on stock exchange transactions) will be levied on the purchase and sale in Belgium of the Notes on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 per cent. with a maximum amount of Euro 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A *taxe sur les reports* (tax on repurchase transactions) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of Euro 650 per transaction and per party).

However none of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the Code des droits et taxes divers (Code of various duties and taxes) for the *taxe sur les opérations de bourse* and Article 139, second paragraph, of the same code for the *taxe sur les reports*.

#### ***European Directive on taxation of savings income in the form of interest payments***

The EU has adopted a directive (European Council Directive 2003/48/EC) regarding the taxation of savings income (hereinafter “Savings Directive”). The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons resident in another Member State (hereinafter “Disclosure of Information Method”), except that Austria and Luxembourg may instead impose a withholding system (hereinafter “Source Tax”) for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), unless during such period they elect otherwise. A number of third countries and territories have adopted similar measures to the Savings Directive.

##### *Individuals not resident in Belgium*

Interest paid or collected through Belgium on the Notes and falling under the scope of application of the Savings Directive will be subject to the Disclosure of Information Method.

##### *Individuals resident in Belgium*

An individual resident in Belgium will be subject to the provisions of the Savings Directive, if he receives interest payments from a paying agent (within the meaning of the Savings Directive) established in another EU Member State, Switzerland, Liechtenstein, Andorra, Monaco, San Marino, Curaçao, Bonaire, Saba, Sint Maarten, Sint Eustatius (formerly the Netherlands Antilles), Aruba, Guernsey, Jersey, the Isle of Man, Montserrat, the British Virgin Islands, Anguilla, the Cayman Islands or the Turks and Caicos Islands.

If the interest received by an individual resident in Belgium has been subject to a Source Tax, such Source Tax does not liberate the Belgian individual from declaring the interest income in the personal income tax declaration. The Source Tax will be credited against the personal income tax. If the Source Tax withheld exceeds the personal income tax due, the excessive amount will be reimbursed, provided it reaches a minimum of Euro 2.50.

## **10.2 Taxation in the Netherlands**

*The following is a general summary of certain Netherlands tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investors that are subject to taxation in Bonaire, Sint Eustatius and Saba and trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective*

holders should consult with their tax advisors with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and published regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

## 10.2.1 Notes Issued by AXA Bank

### **Taxes on income and capital gains**

Please note that the summary in this section does not describe the Netherlands tax consequences for:

- i. holders of AXA BANK Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in AXA BANK under The Netherlands Income Tax Act 2001 (in Dutch: "Wet inkomstenbelasting 2001"). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in The Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- ii. pension funds, investment institutions (in Dutch: "fiscale beleggingsinstellingen"), exempt investment institutions (in Dutch: "vrijgestelde beleggingsinstellingen") (as defined in The Netherlands Corporate Income Tax Act 1969; in Dutch: "Wet op de vennootschapsbelasting 1969") and other entities that are exempt from Netherlands corporate income tax; and
- iii. holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holder (as defined in the Netherlands Income Tax Act 2001).

### *Residents of the Netherlands*

Generally speaking, if the holder of the AXA BANK Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the AXA BANK Notes or any gain or loss realized on the disposal or deemed disposal of the AXA BANK Notes is subject to Netherlands corporate income tax at a rate of 25 % (a corporate income tax rate of 20% applies with respect to taxable profits up to €200,000, the bracket for 2013).

If a holder of the AXA BANK Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands), any payment under the AXA BANK Notes or any gain or loss realized on the disposal or deemed disposal of the AXA BANK Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- i. the AXA BANK Notes are attributable to an enterprise from which the holder of the AXA BANK Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co entitlement to the net worth of such enterprise without being a shareholder (as defined in The Netherlands Income Tax Act 2001); or
- ii. the holder of the AXA BANK Notes is considered to perform activities with respect to the AXA BANK Notes that go beyond ordinary asset management (in Dutch: "normaal, actief vermogensbeheer") or derives benefits from the AXA BANK Notes that are (otherwise) taxable as benefits from other activities (in Dutch: "resultaat uit overige werkzaamheden").

If the above mentioned conditions (i) and (ii) do not apply to the individual holder of the AXA BANK Notes, such holder will be taxed annually on a deemed income of 4% of his/her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities on 1st January of the relevant calendar year. The AXA BANK Notes are included as investment assets. A tax free allowance may be available. An actual gain or loss in respect of the AXA BANK Notes is as such not subject to Netherlands income tax.

### *Non-residents of the Netherlands*

A holder of the AXA BANK Notes will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the AXA BANK Notes or in respect of any gain or loss realised on the disposal or deemed disposal of the AXA BANK Notes, provided that:

- i. such holder is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands;
- ii. such holder does not have an interest in an enterprise or deemed enterprise (as defined in The Netherlands Income Tax Act 2001 and The Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the AXA BANK Notes are attributable; and
- iii. in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the AXA BANK Notes that go beyond ordinary asset management and does not derive benefits from the AXA BANK Notes that are (otherwise) taxable as benefits from other activities in the Netherlands.

### **10.2.2 Notes Issued by ABF(NL)**

#### ***Withholding tax***

All payments of principal or interest made by ABF(NL) under the ABF(NL) Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, unless the ABF(NL) Notes qualify as equity of ABF(NL) for Netherlands tax purposes.

#### ***Taxes on income and capital gains***

Please note that the summary in this section does not describe the Netherlands tax consequences for:

- i. holders of Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in ABF(NL) under The Netherlands Income Tax Act 2001 (in Dutch: "Wet inkomstenbelasting 2001"). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in The Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- ii. pension funds, investment institutions (in Dutch: "fiscale beleggingsinstellingen"), exempt investment institutions (in Dutch: "vrijgestelde beleggingsinstellingen") (as defined in The Netherlands Corporate Income Tax Act 1969; in Dutch: "Wet op de vennootschapsbelasting 1969") and other entities that are exempt from Netherlands corporate income tax; and
- iii. holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holder (as defined in the Netherlands Income Tax Act 2001).

### *Residents of the Netherlands*

Generally speaking, if the holder of the ABF(NL) Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the ABF(NL) Notes or any gain or loss realized on the disposal or deemed disposal of the ABF(NL) Notes is subject to Netherlands corporate income tax at a rate of 25 % (a corporate income tax rate of 20% applies with respect to taxable profits up to €200,000, the bracket for 2013).

If a holder of the ABF(NL) Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands),

any payment under the ABF(NL) Notes or any gain or loss realized on the disposal or deemed disposal of the ABF(NL) Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- i. the ABF(NL) Notes are attributable to an enterprise from which the holder of the ABF(NL) Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co entitlement to the net worth of such enterprise without being a shareholder (as defined in The Netherlands Income Tax Act 2001); or
- ii. the holder of the ABF(NL) Notes is considered to perform activities with respect to the ABF(NL) Notes that go beyond ordinary asset management (in Dutch: "normaal, actief vermogensbeheer") or derives benefits from the ABF(NL) Notes that are (otherwise) taxable as benefits from other activities (in Dutch: "resultaat uit overige werkzaamheden").

If the above mentioned conditions (i) and (ii) do not apply to the individual holder of the ABF(NL) Notes, such holder will be taxed annually on a deemed income of 4% of his/her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities on 1st January of the relevant calendar year. The ABF(NL) Notes are included as investment assets. A tax free allowance may be available. An actual gain or loss in respect of the ABF(NL) Notes is as such not subject to Netherlands income tax.

#### *Non-residents of the Netherlands*

A holder of the ABF(NL) Notes will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the ABF(NL) Notes or in respect of any gain or loss realised on the disposal or deemed disposal of the ABF(NL) Notes, provided that:

- i. such holder is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands;
- ii. such holder does not have an interest in an enterprise or deemed enterprise (as defined in The Netherlands Income Tax Act 2001 and The Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the ABF(NL) Notes are attributable; and
- iii. in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the ABF(NL) Notes that go beyond ordinary asset management and does not derive benefits from the ABF(NL) Notes that are (otherwise) taxable as benefits from other activities in the Netherlands.

### **10.2.3 Gift and Inheritance Taxes**

#### *Residents of the Netherlands*

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

#### *Non-residents of the Netherlands*

No Netherlands gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

### **10.2.4 Value Added Tax (VAT)**

No Netherlands VAT will be payable by the holders of the Notes on any payment in consideration for the issue of the Notes or with respect to the payment of interest or principal by the Issuers under the Notes.

### **10.2.5 Other Taxes and Duties**

No Netherlands registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the Notes in respect or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuers under the Notes.

## 10.3 Taxation in Luxembourg

*The following summary is of a general nature and is included herein solely for information purposes and does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to dispose of the Notes. It is based on the laws regulations and administration and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This summary also does not take into account the specific circumstances of particular investors. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.*

### 10.3.1 Withholding Tax

All payments of interest and principal by the Issuers in the context of the holding, disposal, redemption or repurchase of the Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein in accordance with applicable law, subject however to:

- i. the application of the Luxembourg laws of 21 June 2005 (the "Laws") implementing the European Union Savings Directive (please refer to the paragraph below entitled "EU Savings Directive") and several agreements (the "Agreements") concluded with certain dependent or associated territories and providing for the possible application of a withholding tax on interest paid to certain non- Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of the relevant Issuer appoint a paying agent established in Luxembourg within the meaning of the above-mentioned directive (for more information, please refer to the paragraph below entitled "EU Savings Directive") or Agreements; and
- ii. the application of the Luxembourg law of 23 December 2005 as amended introducing a final tax on certain payments of interest made to certain Luxembourg resident individuals (the "Law").

#### **Resident Noteholders**

Payment of interest or similar income (within the meaning of the Law) on debt instruments made or deemed made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident for tax purposes who is the beneficial owner of such payment or to certain residual entities (as defined in article 4.2 of the EU Savings Directive, "Residual Entities") may be subject to a final tax at a rate of 10%. Such final tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax lies with the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the Law) who is a resident of Luxembourg and acts in the course of the management of his private wealth may opt for a final tax of 10% when he receives or is deemed to receive such interest or similar income from a paying agent established in another EU Member State, in a Member State of the EEA which is not an EU Member State, or in a State which has concluded a treaty directly in connection with the EU Savings Directive. Responsibility for the declaration and the payment of the 10% final tax is assumed by the individual resident beneficial owner of interest.

#### **Non-resident Noteholders**

Under the EU Savings Directive and the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) may be required to withhold tax on interest and other similar income (within the meaning of the Laws) paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State of the European Union or a Residual Entity established in another Member State of the European Union, unless the beneficiary of the interest payments or the Residual Entity (where applicable) elects for an exchange of information or provides the relevant documents to the Luxembourg paying agent. The same regime applies to payments by a Luxembourg based paying agent to individuals or Residual Entities resident in certain dependant



or associated territories (including Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat, Curacao, Saba, Sint Eustatius, Bonaire and Sint Maarten).

The current tax rate is 35%. The tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries (the transitional period may therefore never end).

### **10.3.2 EU Savings Directive**

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted the EU Council Directive 2003/48/EC on the taxation of savings income effective from July 1, 2005. Under the directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest within the meaning of the European Union Savings Directive or other similar income paid by a paying agent within the meaning of the European Union Savings Directive, to an individual resident or certain types of entities called "residual entities", within the meaning of the European Union Savings Directive (the "Residual Entities"), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Luxembourg is permitted to apply a withholding tax system whereby if a beneficial owner, within the meaning of the European Union Savings Directive, does not opt for exchange of information or does not provide a specific tax certificate reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The tax rate of the withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. As from January 1, 2010, Belgium applies for the regime of exchange of information described above. See "European Union Directive on Taxation of Savings Income in the Form of Interest Payments" (Council Directive 2003/48/EC).

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependant or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Saint Eustatius, Bonaire, St. Maarten, Aruba, Cayman Islands, Turks and Caicos Islands and Anguilla) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

The European Commission has announced on November 13, 2008 proposals to amend the European Union Savings Directive. If implemented, the proposed amendments would, inter alia, (i) extend the scope of the European Union Savings Directive to payments made through certain intermediate structures (whether or not established in a EU Member State) for the ultimate benefit of EU resident individuals and (ii) provide for a wider definition of interest subject to the European Union Savings Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. Discussions are still ongoing at Council level, building on unanimous conclusions adopted on December 2, 2008 and on June 9, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

In a press release of 10 April 2013, the Luxembourg government has unilaterally announced its intention to abolish the withholding tax system with effect as from 1 January 2015 onwards and to replace it with a system of automatic exchange of information.

## **10.4 Taxation in France**

### **10.4.1 Registration Taxes, Stamp Duty, Etc.**

No stamp, issue, registration or similar taxes or duties will be due in France by the Noteholder in connection with the Notes.

### **10.4.2 Withholding Tax**

The interest from the Notes received by French tax resident individuals holding the Notes are subject to an advance withholding tax at the rate of 24 per cent., which is set off against the final French income tax liability of that individual (as described below). However, French tax resident individuals whose reference taxable income (revenu fiscal de référence) in respect of the previous calendar year is lower than € 25,000 (€ 50,000 for married

couples or members of a civil union) may request, under certain conditions, a waiver of that advanced withholding tax.

Subject to the above, all payments by the Issuer to the Noteholder in respect of the Notes can be made free of any withholding or deduction for or on account of any taxes in France.

#### **10.4.3 Residents**

Under current French legislation, the following summary describes the tax consequences that may be applicable to Noteholders resident in France for tax purposes. The Noteholders should nevertheless consult their usual tax advisers for details of the tax regime that applies to their particular case.

##### ***Individuals holding Notes as part of their private assets***

###### *Interest*

The interest from the Notes received by individuals are in principle subject to income tax at a progressive rate, the contribution sociale généralisée (“CSG”) of 8.2 per cent. (5.1 points of which is deductible from the income tax basis), a prélèvement social of 4.5 per cent., a prélèvement de solidarité of 2 per cent., the contributions additionnelles au prélèvement social of 0.3 and 1.1 per cent. and the contribution au remboursement de la dette sociale (“CDRS”) of 0.5 per cent. (i.e., an overall rate, excluding income tax, of 15.5 per cent.). However, for taxpayers who do not realize more than € 2,000 of interest income in a given calendar year, the withholding tax described at paragraph 10.4.2 above may, at the taxpayer’s option, and subject to certain conditions and compliance formalities, be paid in full satisfaction of the taxpayer’s income tax liability (i.e., the interest are not included in the taxpayer’s income tax basis at a progressive rate); those interest remain subject in any case to the 15.5 per cent. social taxes described above.

If the Paying Agent levies a withholding tax on the interest from the Notes pursuant to the rules detailed in paragraph “EU Savings Directive” below, individuals resident in France for tax purposes may benefit, in application of Article 199 ter of the French tax code (Code général des impôts or “CGI”), from a tax credit equal to the amount of the tax withheld.

###### *Capital gains*

Capital gains realised by individuals are subject to income tax at a progressive rate, the CSG of 8.2 per cent., the prélèvement social of 4.5 per cent., a prélèvement de solidarité of 2 per cent., the contributions additionnelles au prélèvement social of 0.3 and 1.1 per cent. and the CRDS of 0.5 per cent. (i.e. an overall rate, excluding income tax, of 15.5 per cent.).

Capital losses incurred in one year can be set off only against capital gains of the same type realised in the year of the disposal or in the ten following years.

##### ***Companies subject to corporate tax***

###### *Interest*

Interest accrued on Notes over the fiscal year is included in the corporate tax basis taxable at the rate of 33 1/3 per cent.

A social contribution of 3.3 per cent. (Article 235 ter ZC of the CGI) is also applicable on the amount of corporate tax with an allowance of € 763,000 for each 12-month period. However, entities that have a turnover of less than € 7,630,000 and whose share capital is fully paid-up and of which at least 75 per cent. is held continuously by individuals (or by an entity meeting all of these requirements) are exempt from this contribution. For an entity that meets these requirements, the corporate tax is fixed, for taxable income up to € 38,120 within a twelve-month period, at 15 per cent.

For fiscal years ending until 30 December 2015, an exceptional surtax equal to 5 per cent. of the corporate tax due applies to taxpayers with a turnover exceeding € 250 million (Article 235 ter ZAA of the CGI).

###### *Capital gains*

The capital gain or loss realized upon disposal of the Notes is included in the corporate tax basis taxable at the rate of 33 1/3 per cent. (or, where applicable, 15 per cent. up to an amount of € 38,120 per period of twelve months for entities that meet the conditions described in paragraph 2(a) above). In addition, the social contribution of 3.3 per cent. and the exceptional 5 per cent. surtax mentioned above is levied where applicable.

#### **10.4.4 Non-residents**

Non-French tax resident Noteholders will normally not be subject to French income or corporate taxation with respect to income or capital gains realised in connection with the Notes, unless there is a specific connection with France, such as an enterprise or part thereof which is carried on through a permanent establishment in France.

A Noteholder will not become resident or deemed to be resident in France by reason only of the holding of a Note.

### **10.5 Taxation in Spain**

*The following summary is a general description of certain Spanish tax considerations relating to the purchase, holding, redemption and disposition of the Notes and does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to acquire or dispose of the Notes. This section is based upon the laws, regulations and administration and judicial interpretations presently in force in Spain, and is subject to any change that may take effect in the future. This summary does not purport to deal with all aspects of taxation that may be relevant to investors in the light of their individual circumstances, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors should consult their own tax advisors with respect to the tax consequences of purchasing, holding, redeeming or disposing of the Notes.*

*Please be aware that the residence concept used under the respective headings below applies for Spanish income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Spanish law and/or concepts only. Also, please note that a reference to Spanish income tax encompasses corporate income tax (Impuesto sobre Sociedades) as well as personal income tax (Impuesto sobre la Renta de las Personas Físicas) generally. Investors may further be subject to other duties, levies or taxes.*

#### **10.5.1 Individuals with Tax Residence in Spain**

##### ***Interest on the Notes and Disposal of the Notes***

Both interest received and income derived from the transfer, redemption or reimbursement of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the Personal Income Tax ("PIT") Law (Law 35/2006, of November 28, 2006), and therefore will form part of the savings income tax base and will be taxed at a flat rate of 21% on the first €6,000 portion of the savings income and at a 25% flat rate on any amount ranging between €6,001 and €18,000 and at a 27% flat rate on any amount exceeding such €18,000 threshold.

In the event that such interest or the income derived from the transfer, redemption or reimbursement of the Notes becomes subject to withholding tax in Belgium or The Netherlands, as Belgian or Dutch source income, individuals with tax residence in Spain would be entitled to a tax credit for the avoidance of double taxation when determining their tax liability, in accordance with the provisions of the PIT Law or the treaty in force signed by Spain with the mentioned countries.

##### ***Spanish Withholding Tax on the Notes***

Even not being the Issuers Spanish tax resident entities, a withholding at a 21% rate is applicable on interest payments made to individual Spanish holders in the event the Notes are deposited before or managed by Spanish-resident entities or persons or by non-resident entities or persons operating in the Spanish territory through a permanent establishment or if the above-mentioned persons or entities have been entrusted with the collection of the income derived from the Notes, provided that such income has not been previously subject to withholding tax in Spain. In addition, income obtained upon transfer or redemption of the Notes may also be subject to PIT withholdings.

In any event, individual Spanish holders may credit the withholding against their final PIT liability for the relevant fiscal year.

## **10.5.2 Corporations Resident in Spain for Tax Purposes or Permanent Establishments in Spain of Non-Spanish Tax Residents**

### ***Interest on the Notes***

Under Spanish law, interest collected by a Spanish resident holder of the Notes is subject to Corporate Income Tax ("CIT") and if obtained by a permanent establishment in Spain of Non-Spanish Tax residents to Non-Residents' Income Tax ("NRIT") at the relevant tax rates (30% as a general rule).

In the event that such interest becomes subject to withholding tax in Belgium or The Netherlands, as Belgian or Dutch source income, Spanish tax resident corporations would be entitled to a tax credit for the avoidance of double taxation when determining their tax liability, in accordance with the provisions of the CIT Law (approved by Legislative Royal Decree 4/2004, of March 5, 2004) or the Tax Treaty in force with the mentioned countries.

In addition, in accordance with the NRIT Law (approved by Legislative Royal-Decree, of March 5, 2004), permanent establishments in Spain of non-Spanish tax residents would also be entitled to apply a tax credit to avoid double taxation on interest payments.

### ***Disposal of the Notes***

As a general rule, a disposal, whether in the form of a transfer, redemption or reimbursement, of the Notes by a Spanish holder may give rise to a taxable income or an allowable loss for the purposes of either CIT or NRIT, as the case may be, at the relevant applicable tax rate (30% as a general rule).

If for any reason a Spanish tax resident corporation or permanent establishment in Spain of Non-Spanish Tax residents is subject to tax in Belgium or The Netherlands on the income it obtains upon the disposal of the Notes, it will be entitled to a tax credit for the avoidance of double taxation

### ***Spanish Withholding Tax on the Notes***

No withholding on account of Spanish CIT or NRIT is levied in Spain on any income arising from Notes held by a Spanish holder that is a corporation or a permanent establishment in Spain of a non-Spanish tax resident if the Notes are traded on an OECD country's official stock market.

However, the financial institution (only if resident in Spain or acting through a permanent establishment in Spain) acting as paying agent or intervening in any transfer, redemption or refund of the Notes will be obliged to calculate the taxable income of the Spanish holder arising from the relevant transaction and to report such income to the Spanish holder and to the Spanish tax authorities. In addition, the financial institution must provide the Spanish tax authorities with information regarding the persons participating in the transaction.

If the Notes are not traded on an OECD country's official stock market and the Notes are deposited with or managed by a financial institution resident in Spain, or acting through a permanent establishment in Spain, in accordance with the Spanish tax laws in force, the financial institution, acting as depositary or manager of such Notes, will be responsible for making the relevant Spanish withholding on account of tax on any payment to a Spanish holder deriving from the Notes. It should be noted that the financial institution acting as custodian or manager of the Notes may become obliged to comply with the formalities contained in the Spanish CIT Regulations when intervening in the repayment and/or transfer of the Notes.

## **10.5.3 Beneficial Owners not Resident in Spain Without a Permanent Establishment**

If the beneficial owners of the Notes are not resident for tax purposes in Spain and do not obtain the income through a permanent establishment located in Spain, they will normally not be subject to Spanish income or corporate taxation in respect to income realized in connection with the Notes, unless it could be considered as Spanish-source income, such as when interest is deemed remuneration relating to capital used within the Spanish territory.

In such a situation, the Noteholder could also apply (i) the tax rate applicable under a treaty for the avoidance of double taxation with Spain or (ii) any exemption foreseen in the Spanish Non-Resident Income Tax legislation, if applicable, and provided that corresponding formal requirements are met.

## **10.5.4 Other Tax considerations**

Notes held by individuals and corporations with tax residence in Spain and permanent establishments in Spain of non-Spanish tax residents, deposited before or managed by non-resident entities shall be subject to the general obligation to disclose information regarding assets located outside Spain by filing tax form 720 (Obligación de declaración sobre bienes y derechos situados en el extranjero).

## 10.6 Portuguese Taxation on the Notes

The following is a summary of current law and practice in Portugal as in effect on this date in relation to certain current relevant aspects to Portuguese Taxation of the Notes and is subject to changes in such laws, including changes that could have a retroactive effect. The statements do not deal with other Portuguese tax aspects regarding the Notes and relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide, does not constitute tax or legal advice and should be treated with appropriate caution. Tax consequences may differ according to the provisions of different tax treaties, as well as according to a prospective investor's particular circumstances. Prospective investors are advised to consult their own tax advisers.

References to "investment income" mean "investment income" as understood under Portuguese tax law. The statements below do not take into account any different definitions of "investment income" that may prevail under any other law or any related documentation.

### 10.6.1 Noteholders' income tax

Income generated by the holding (distributions) and disposal of the Notes is generally subject to the Portuguese tax regime for debt securities ("obrigações").

Economic benefits derived from interest, amortization, reimbursement premiums and other types of remuneration arising from the Notes are designated as investment income for Portuguese tax purposes.

### 10.6.2 Withholding Tax Arising from the Notes

Payments of principal on the Notes issued by the Issuers to corporate entities or to individuals are not subject to Portuguese withholding tax. For these purposes, principal shall mean all payments carried out without any income component.

### 10.6.3 Corporate Entities

Under current Portuguese law, investment income payments in respect of the Notes issued by the Issuers made to Portuguese tax resident companies are included in their taxable income and are subject to a rate of 25 per cent. A municipal surcharge (derrama municipal) of up to 1.5 per cent. over the Noteholders' taxable profits may also be applied. A state surcharge (derrama estadual) also applies at a 3 per cent. on the part of taxable profits in excess of € 1,500,000 and until € 7,500,000 and at 5 per cent. on the part of taxable profit exceeding € 7,500,000.

### 10.6.4 Individuals

Investment income obtained by Portuguese resident individuals on the Notes is subject to individual income tax. If the payment of investment income arising from the Notes issued by the Issuers is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non-resident entity, withholding tax is applicable at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include it in his taxable income, subject to tax at progressive rates varying from 14.5 per cent. to 48 per cent.. In this case, a surcharge of 3.5 per cent. applies on the net income that exceeds € 6,790 per individual with a deduction base on the number of dependents. An additional surcharge at 2.5 per cent. applies on part of income in excess than € 80,000 up to € 250,000 and at 5 per cent. on part of income in excess of € 250,000. In such a case, the tax withheld is deemed a payment on account of the final tax due.

Investment income (including interest) arising from the Notes issued by the Issuers paid or made available through a Portuguese resident entity or a Portuguese branch of a non-resident entity to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Investment income payments arising from the Notes due by the Issuers, through an entity that is not located in Portugal, to Portuguese tax resident individuals are subject to an autonomous taxation at a flat rate of 28 per cent. whenever those payments are not subject to Portuguese withholding tax. This flat rate is the final tax on that income unless the individual elects to include it in his taxable income, subject to tax at progressive rates varying from 14.5 per cent. to 48 per cent.. In this case, a surcharge of 3.5 per cent. applies on the net income that exceeds € 6,790 per individual with a deduction based on the number of dependents. An additional surcharge at 2.5 per cent. applies on part of income in excess than € 80,000 up to € 250,000 and at 5 per cent. on part of income in excess of € 250,000. In such a case, the tax withheld is deemed a payment on account of the final tax due.

### **10.6.5 Implementation of EU Savings Directive in Portugal**

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income into the Portuguese law through Decree-Law no 62/2005, of 11 March, 2005, as amended by Law no 39-A/2005, of 29 July 2005.

## **10.7 Taxation in Germany**

### **10.7.1 German Resident Noteholders**

#### ***Private investors***

For German resident private investors (i.e. persons whose residence or habitual abode is located in Germany) holding the Notes as private assets (and not as business assets), interest payments on the Notes and gains from the sale or redemption of the Notes qualify as investment income pursuant to Sec. 20 Income Tax Act and are basically subject to the flat income tax (Abgeltungsteuer) at a rate of 25% (plus 5.5% solidarity surcharge thereon, resulting in a total tax charge of 26.375%, and, if applicable, church tax). If interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to income tax. The same applies to proceeds from the redemption of interest claims if the Note is disposed of separately. The deduction of related expenses for tax purposes is not possible. However, the total investment income of an individual will be decreased by a lump sum deduction (Sparer Pauschbetrag) of €801 (€1,602 for married couples filing jointly). Losses resulting from the sale or redemption of the Notes can only be off-set against other investment income. In the event that a set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods and can be offset against investment income generated in future assessment periods.

Gains and losses are determined by taking the difference between the sales/redemption price (after the deduction of expenses incurred directly in connection with the sale/redemption) and the acquisition price of the Notes.

#### ***Withholding Tax***

Any interest payments on the Notes are subject to German withholding tax provided that the Notes are held in the custodial account with a German branch of a German resident or non-German resident credit institution, financial services institution, securities trading company or securities trading bank (the "Disbursing Agent" — inländische Zahlstelle). The Disbursing Agent withholds tax at a rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax) from the gross interest payment to be made by the Disbursing Agent.

In general, no withholding tax will be levied if the Holder is an individual (i) whose Notes do not form part of the property of a trade or business and (ii) who filed a withholding exemption certificate (Freistellungsauftrag) with the Disbursing Agent but only to the extent the interest income derived from the Notes together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. The maximum exemption amount that may be shown on the exemption certificate is an amount equal to the lump sum deduction mentioned above. Similarly, no withholding tax will be deducted if the Holder has submitted to the Disbursing Agent a certificate of non-assessment (Nichtveranlagungs Bescheinigung) issued by the relevant local tax office.

For private investors, the withholding tax regime should also apply to any gains from the sale or redemption of the Notes held in custody with the Disbursing Agent. The tax base is the difference between sales/redemption proceeds after the deduction of expenses directly connected to the sale/redemption and the acquisition costs for the Notes, if the Notes were held in custody by such institution since their acquisition. If the custody account has changed since the acquisition of the Notes and the relevant acquisition data (Anschaffungsdaten) has not been evidenced to the satisfaction of the Disbursing Agent, the withholding tax is imposed on a lump sum amount equal to 30% of the proceeds arising from the sale or redemption of the Notes.

The exemption from withholding tax described above (i) in the amount of the lump sum deduction if a withholding exemption certificate, or (ii) if a certificate of non-assessment can be provided, applies also in case of capital gains derived from the Notes.

For private investors the withholding tax is definitive. Private investors having a lower personal income tax rate may, upon application, include the capital investment income in their personal income tax return to achieve a lower tax rate. Income not subject to a definitive withholding tax must be included into the personal income tax return. The flat income tax of 25% plus solidarity surcharge and church tax, if applicable, would be collected by

way of assessment. Pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court in a non-binding ruling appealed to the German Federal Fiscal Court (Bundesfinanzhof)), in this case as well income-related expenses cannot be deducted from the investment income, except for the aforementioned annual lump-sum deduction.

### **Business Investors**

For investors holding the Notes as business assets, interest payments (if any) under the Notes and gains and losses from the investment in the Notes are subject to the corporate income tax or income tax in each case plus solidarity surcharge at the level of the investor with the individual tax rate of the respective investor. Such income has also to be considered for trade tax purposes, if the Notes form part of the property of a German trade or business.

Any withholding tax withheld by the Disbursing Agent is credited against the investor's personal (corporate) income tax liability (and solidarity surcharge) in the course of the tax assessment or will be refunded. For German resident corporate investors (provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax authorities) and — after notifying the Disbursing Agent about the allocation of the Notes to a business in Germany — other business investors, no withholding tax should be levied on gains resulting from the sale or redemption of the Notes (that is, for these investors only interest payments are subject to withholding tax).

#### **10.7.2 Non-resident Noteholders**

Any interest income from the Notes, income from a separate disposition or redemption of interest claims as well as any capital gains from a disposition or redemption of the Notes derived by persons not resident in Germany are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder or (ii) the interest income otherwise constitutes German source income (such as income from the letting and leasing of certain German situs property). In the case of (i) the applicable tax regime is similar to the regime explained in the preceding sub section “-German resident Noteholders” with regard to business income.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above in the preceding sub-section “— German resident Noteholders”.

## **10.8 EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system applies for a transitional period during which the withholding tax rate will raise over time to 35 per cent. The rates have been of 15% until 30 June 2008, are of 20% from 1 July 2008 to 30 June 2011 and of 35% as of 1 July 2011. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. However, since 1st January 2010, Belgium no longer applies the withholding tax system but exchanges information with the country of tax residence of the beneficial owner.

A number of non-EU countries (including Switzerland, Andorra, Liechtenstein, Monaco and San Marino), and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Netherlands Antilles and Aruba) of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State.

In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person

in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 24 March 2014, the EU Council of Ministers adopted a Council Directive (the “**Amending Directive**”) pursuant to which Member States are required to extend the scope of the requirements of the Savings Directive described above to (among other things) (i) payments made under certain financial instruments and life insurance contracts that are considered equivalent to debt claims (ii) certain payments that are made to entities or legal arrangements (such as trusts) established outside the EU, where an individual resident in a Member State other than that of the paying agent is regarded as the beneficial owner of that payment and (iii) payments made to certain entities or legal arrangements established in the EU which are treated as paying agents on receipt of interest payments. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the NBB-SSS, any Agent, nor any other person would be obliged to pay additional amounts with respect to the Notes as a result of the imposition of such withholding tax

Investors who are in any doubt as to their position should consult their professional advisors.

## **11 TERMS AND CONDITIONS OF THE OFFER**

### ***(Annex V.5 of Regulation (EC) 809/2004)***

The Notes can be issued as private placements or by means of a public offering to the following categories of investors:

- qualified investors
- professional clients
- non-professional clients

The Notes will be offered for subscription during the Offering Period (specified in the relevant Final Terms) at the relevant Issue Price. Any applicable fees or commissions will be specified in the relevant Final Terms. The Issuer has the right to cancel any issue of Notes under the Programme during their Offering Period until the fifth Business Day before their Issue Date, either (i) when it reasonably believes that investors will not subscribe to the offer for an amount of at least the Minimum Amount specified in the relevant Final Terms or (ii) in case it considers there is a material adverse change in market conditions. Investors that have subscribed to these Notes will be notified pursuant to Condition 9.16 of such cancellation. The Issuer has the right to anticipatively terminate the Offering Period if the Maximum Amount of the relevant Notes issue has been reached or if the market conditions adversely affect the interest or the redemption amounts to be paid by the Issuer.

The cash account of the client will be debited on the Issue Date. At the same date, the Notes will be transferred on the securities accounts of the clients.

If Notes are deposited in a securities account with AXA BANK, AXA BANK will not charge any fees for this service, nor for the opening of such securities account. If a Noteholder chooses to deposit his or her securities with another financial institution, he or she must inquire the fees charged by this institution.

The Notes have not been offered or sold and will not be offered or sold directly or indirectly and the Prospectus has not been distributed and will not be distributed, except in such circumstances that will result in compliance with all applicable laws and regulations.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements and, subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America, including its territories and possessions, or to U.S. residents, U.S. individuals or U.S. entities as described Under the ‘Regulation S’ of the U.S. Securities Act of 1933, as amended, the Foreign Account Tax Compliance Act (de ‘FATCA’) or in any other regulation or Act that in the future may replace the Regulation S, the 1933 Securities Act or Fatca.

The Notes have not been offered, sold or delivered and will not be offered, sold or delivered, as part of their distribution at any time, or otherwise until 40 days after the commencement of the offering within the United States or to, or for the account or the benefit of, U.S. persons and a dealer to which the Notes are sold during the restricted period, will receive a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.



Until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by a dealer that is not participating in the offering may violate the registration requirements imposed by the U.S. Securities Act of 1933, as amended.

Any document connected with the issue of the Notes has only been issued or passed on and will only be issued and passed on in the United Kingdom to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") in connection with the issue or sale of any Notes, has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and all applicable provisions of the FSMA with respect to anything done in relation to such Notes in, from or otherwise involving the United Kingdom have been complied with and will be complied with.

## **12 ADMISSION TO TRADING AND DEALING ARRANGEMENTS**

*(Annex V.6 of Regulation (EC) 809/2004)*

The Programme provides that Notes may be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange (the "Market") or an equivalent market.

If Issuer decides to seek such listing, this will be specified in the relevant Final terms and the relevant Issuer will then make an application to the Luxembourg Stock Exchange or an equivalent market for such listing. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed and admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instalments.

If "Secondary Market" is provided to be "Applicable" in the relevant Final Terms for any Notes, the price of the Notes is available on demand on each Business Day during the term of such Notes in every office of AXA BANK until 30 Business Days preceding their Maturity Date, unless in AXA BANK's determination, market conditions preclude it from quoting a price. In such case, AXA BANK can be considered market maker for the Notes and will organize the secondary market, thereby providing liquidity through bid and offer rates. The main terms of the commitment of AXA BANK will be specified in the relevant Final Terms and (i) "Maximum Spread" means on any given moment the maximum spread between the then applicable bid and offer rates; (ii) "Maximum Commission" means the maximum commission on the bid and offer rates; and (iii) "Maximum Exit Penalty" means the maximum exit penalty applicable to the bid and offer rates. The bid and offer rates of the Notes on any given moment are subject to the market conditions, interest rates, forward rates, credit spreads of the relevant Issuer or, in the case of ABF(NL) Notes, the Guarantor, etc.

The sale proceeds can be lower than the invested amount.

## **13 USE OF PROCEEDS**

The net proceeds of Notes, i.e. the Nominal Amount less any expenses and fees, will be applied for general corporate purposes of AXA BANK or other entities of the AXA Group. In the case of ABF(NL) Notes, ABF(NL) will lend the proceeds to AXA BANK or other entities of the AXA Group.

## **14 THIRD PARTY INFORMATION, EXPERT STATEMENTS AND DECLARATIONS**

*(Annex IV.16 and XI.13 of Regulation (EC) 809/2004)*

There has not been any statement or report attributed to a person as an expert which is included in this Base Prospectus.

## **15 DOCUMENTS ON DISPLAY**

*(Annex IV.17 and XI.14 of Regulation (EC) 809/2004)*

Copies of the annual reports dated December 31st, 2013 and December 31st, 2012 for AXA BANK and ABF(NL) and of all subsequent annual reports to be published, copies of the articles of association of AXA BANK and ABF(NL) are available free of charge at the office of AXA BANK and will be available during the entire lifetime of the Notes. Additionally, the annual reports of AXA BANK are available on its internet site: [www.axabank.eu](http://www.axabank.eu). Moreover, copies of the semi-annual and annual reports of ABF(NL) and copies of the annual reports of AXA BANK are available on the Luxembourg Stock Exchange-website: [www.bourse.lu](http://www.bourse.lu).

# ANNEX 1: TEMPLATE FOR FINAL TERMS

## APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

Final Terms dated [●]  
[AXA BELGIUM FINANCE (NL) B.V./AXA BANK EUROPE SA]  
Issue of [Title of Notes]  
[Guaranteed by AXA BANK EUROPE SA]  
under the  
**AXA BELGIUM FINANCE (NL) B.V.**  
and  
**AXA BANK EUROPE SA**  
EUR 2,000,000,000  
**Notes Issuance Programme**

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 9 September 2014, which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). **This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [and any supplement thereto].** These Final Terms and the Base Prospectus together constitute the Programme for the Tranche. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for inspection at the office of the [Guarantor and the office of the] Issuer.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Programme under Article 16 of the Prospectus Directive.]*

### General Description on the Notes

[●]

- |       |                                   |  |
|-------|-----------------------------------|--|
| (i)   | Issuer:                           | [AXA BANK EUROPE SA][AXA BELGIUM FINANCE (NL) B.V.]  |
| (ii)  | Guarantor:                        | [N/A][AXA BANK EUROPE SA]  |
| (iii) | Calculation Agent:                | AXA BANK EUROPE SA   |
| 2     | (i)                               | Series Number: [●]   |
|       | (ii)                              | Tranche Number: [●]  |
|       |                                   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i> |
| 3     | Specified Currency or Currencies: | [●]  |

- 4 Maximum Amount:
- [(i)] Series: [•]
- [(ii)] Tranche: [•]
- 5 Minimum Amount:
- [(i)] Series: [•]
- [(ii)] Tranche: [•]
- 6 Offering Period: [•] (except in case of early closing)
- 7 Issue Price: [•] per cent.  
[plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
- 8 Brokerage Fee: [•]
- 9 Denominations: [•]
- 10 [(i)] Issue Date: [•]
- [[ii)] Interest Commencement Date: [•]
- 11 [Scheduled] Maturity Date: [•]
- 12 Interest Basis: [[•] per cent. Fixed Rate]  
[Floating Rate]  
[Zero Coupon]  
[Variable Linked Rate]  
[Not Applicable]  
[Other] (*Specify*)  
(further particulars specified below)
- 13 Redemption/Payment Basis: [Redemption at par]  
[Variable Linked Redemption]  
[Other] (*Specify*)  
(further particulars specified below)
- 14 Change of Interest or Redemption/Payment Basis: [Not Applicable/(*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*)]
- 15 Call Options: [Call/Not Applicable]  
[(further particulars specified below)]
- 16 Mandatory Early Redemption [Applicable/Not Applicable] [(further particulars specified below)]

- 17 (i) Status of the Notes: [Senior Notes/ Subordinated Notes]  
(ii) Subordinated Notes *(for Senior Notes, delete this paragraph)*
- Redemption upon Capital Disqualification Event [Applicable/Note Applicable]
- Capital Disqualification Event Early Redemption Price [Specified Redemption Amount, and the Specified Fixed Percentage Rate is [ ] per Cent] / [Par Redemption] / [Not Applicable]  
*(Note: the Specified Fixed Percentage Rate Must be at least 100 per cent.)*
- Deferral of Payments [Applicable/Note Applicable]
- 18 [Date [Board] approval for issuance of Notes obtained:] [•]  
*(N.B Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)]*
- 19 Form of Notes [Bearer Notes / Dematerialised Notes]
- 20 New Global Note Not Applicable

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 21 **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Fixed Rate: [•] per cent. per annum
- (ii) Interest Payment Date(s): [annually/semi-annually/quarterly/ on [•]]
- (iii) Business Days: [•]
- (iv) Business Day Convention: [•]
- (v) Fixed Interest Amount: [•]
- (v)/(vi) Day Count Fraction: [•]
- (v)/(vi)/(vii) Interest Period End Date(s): [Adjusted/No Adjustment/Other (Specify)]
- [Other terms relating to the method of [•](Specify) calculating interest for Fixed Rate Notes:
- 22 **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Publication Source: [EUR-EURIBOR-Reuters (ISDA)/Other]
- (ii) Designated Maturity: [•]
- (iii) Spread: [•]
- (iv) Interest Payment Date(s): [annually/semi-annually/quarterly/ on [•]]

- (v) Day Count Fraction: [•]
- (vi) Interest Determination Date: [•]
- (vii) Business Days: [•]
- (viii) Business Day Convention: [•]
- (ix) Interest Period End Date(s): [Adjusted/No Adjustment/Other (Specify)]
- [(x) Maximum Rate: [•]]
- [(x)/(xi) Minimum Rate: [•]]
- 23 **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [•] per cent. per annum
- (ii) Business Days: [•]
- (iii) Business Day Convention: [•]
- (iv) Any other formula/basis of [•] of [•] determining amount payable:
- 24 **Variable Linked Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Underlying: [Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index/Basket of Inflation Indices/Other]
- (ii) Variable Linked Rate: [•] *(Provide the formula or other method of determination)*
- (iii) Interest Payment Date(s): [•]
- (iv) Business Days: [•]
- (v) Business Day Convention: [•]

#### PROVISIONS RELATING TO REDEMPTION

- 25 **Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Optional Redemption Date(s): [•]
- Optional Redemption Period: [•]
- Optional Redemption Amount(s) of [•] per Note of [•] Denomination each Note and method, if any, of calculation of such amount(s):

If redeemable in part:

Minimum Redemption Amount: [•]

Maximum Redemption Amount: [•]

Notice period: [•]

26 **Mandatory Early Redemption** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Trigger Event(s): [•]

(ii) Mandatory Early Redemption Date(s): [ The Interest Payment Date immediately following the occurrence of the Trigger Event(s) as determined by the Calculation Agent. Should the Trigger Event(s) occur on an Interest Payment Date, then the Mandatory Early Redemption Date shall be postponed until the next Interest Payment Date/[•]]

(iii) Mandatory Early Redemption Amount: [•] per Note of [•] Denomination]

27 **Redemption Amount(s) of each Note** [[•] per Note of [•] Denomination] *(delete in case of Variable Linked Redemption)*

*(Include below provisions in case of a Variable Linked Redemption)*

**Variable Linked Redemption**

(i) Underlying: [Market Rate/Share/Basket of Shares/Share Index/Basket of Share Indices/Fund/Basket of Funds/Commodity/Basket of Commodities/Commodity Index/Basket of Commodity Indices/Inflation Index/Basket of Inflation Indices/Other]

(ii) Variable Linked Redemption Amount: [•] *(Provide the formula or other method of determination)*

(iii) Business Days: [•]

(iv) Business Day Convention: [•]

(v) Initial Averaging: [Not Applicable / Applicable]

(vi) Averaging: [Not Applicable / Applicable]

[(vi) Initial Averaging Dates: [•]]

[(vi) Averaging Dates: [•]]

**VARIABLE LINKED PROVISIONS**

(Include the relevant provisions below, if the Underlying is one or more **Market Rates**)

- (i) Publication Source: [•]
- (ii) Designated Maturity: [•]
- (iii) Spread: [•]
- (iv) Interest Determination Date: [•]
- [(v) Day count Fraction: [•]]

(Include the relevant provisions below, if the Underlying is a **Share**)

- (i) Share: [•] (Insert full title of the Share and its ISIN code)
- (ii) Exchange: [•]
- (iii) Related Exchange: [[•]/All Exchanges]
- (iv) Valuation Date(s): [•]
- [(v) Initial Valuation Date: [•]]
- [(v) Initial Price: [•]]

(Include the relevant provisions below, if the Underlying is **Share Basket**)

- (i) Share Basket:

<i>i</i>	<i>w</i>	Share	Exchange	Related Exchange	Securities Code
1	[•]%	[•]	[•]	[•]/All Exchanges	[•]
2	[•]%	[•]	[•]	[•]/All Exchanges	[•]
...	[•]%	[•]	[•]	[•]/All Exchanges	[•]

- (ii) Valuation Date(s): [•]
- [(iii) Initial Valuation Date: [•]]

(Include the relevant provisions below, if the Underlying is an **Share Index**)

- (i) Index: [•]
- (ii) Exchange: [[•]/Multiple Exchange]
- (iii) Related Exchange: [[•]/All Exchanges]
- (iv) Valuation Date(s): [•]
- [(v) Initial Valuation Date: [•]]



[(v) Initial Price: [•]]

(Include the relevant provisions below, if the Underlying is a **Basket of Share Indices**)

(i) Index Basket:

<i>i</i>	<i>w</i>	Index	Exchange	Related Exchange
1	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges
2	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges
...	[•]%	[•]	[•]/Multiple Exchange	[•]/All Exchanges

(ii) Valuation Date(s): [•]

[(iii) Initial Valuation Date: [•]]

(Include the relevant provisions below, if the Underlying is a **Fund**)

(i) Reference Fund: [•] (Insert full title of the Reference Fund, including its sponsor, the ISIN code, class, if applicable, and a short description)

(ii) Valuation Date(s): [•]

[(iii) Initial Valuation Date: [•]]

[(iii) Initial Price: [•]]

(Include the relevant provisions below, if the Underlying is a **Basket of Funds**)

(i) Fund Basket:

<i>i</i>	<i>w</i>	Reference Fund	Class	Fund Description	Fund Administrator	ISIN Code
1	[•]%	[•]	[•]	[•]	[•]	[•]
2	[•]%	[•]	[•]	[•]	[•]	[•]
...	[•]%	[•]	[•]	[•]	[•]	[•]

(ii) Valuation Date(s): [•]

[(iii) Initial Valuation Date: [•]]

(Include the relevant provisions below, if the Underlying is a **Commodity**)

(i) Commodity: [•]

(ii) Exchange: [•]

(iii) Price Source: [•]

(iv) Valuation Time: [•]

- (v) Valuation Date(s): [•]
- [(vi) Initial Valuation Date: [•]]
- [(vi) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity**)*

- (i) Commodity Basket:

<i>i</i>	<i>w</i>	Commodity	Exchange	Price Source	Valuation Time
1	[•]%	[•]	[•]	[•]	[•]
2	[•]%	[•]	[•]	[•]	[•]
...	[•]%	[•]	[•]	[•]	[•]

- (ii) Valuation Date(s): [•]
- [(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is a **Commodity Index**)*

- (i) Commodity Index: [•]
- (ii) Valuation Time: [•]
- (iii) Valuation Date(s): [•]
- [(iv) Initial Valuation Date: [•]]
- [(iv) Initial Price: [•]]

*(Include the relevant provisions below, if the Underlying is a **Basket of Commodity Indices**)*

- (i) Commodity Index Basket:

<i>i</i>	<i>w</i>	Commodity Index	Valuation Time
1	[•]%	[•]	[•]
2	[•]%	[•]	[•]
...	[•]%	[•]	[•]

- (ii) Valuation Date(s): [•]
- [(iii) Initial Valuation Date: [•]]

*(Include the relevant provisions below, if the Underlying is an **Inflation Index** or a **Basket of Inflation Indices**)*

- (i) Inflation Index/Basket of Inflation [•]  
Indices/Inflation Index Sponsor(s):

- (ii) Related Bond: [Not Applicable / Applicable]  
The Related Bond is: [ ] [Fallback Bond]  
The End Date is: [ ]
- (iii) Substitute Index Level: [As determined in accordance with article 9.6.7][•]
- (iv) Business Day Convention: [•]
- (v) Determination Date(s) [•]
- (vi) Cut-off Date: [•]
- (vii) Other terms or special conditions [•]

(Include the relevant provisions below, if the Underlying is a **Basket of Inflation Indices**)

- (i) Index Basket:

<i>i</i>	<i>w</i>	Index	Sponsor
1	[•]%	[•]	[•]
2	[•]%	[•]	[•]
...	[•]%	[•]	[•]

- (ii) Valuation Date(s): [•]
- [(iii) Initial Valuation Date: [•]]

(Include the relevant provisions below, if an Extraordinary Event is not applicable))

- [(•)]Not Applicable Extraordinary Event(s) [•]

## LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made for the Notes to be listed on the official list of the [ ] and admitted to trading on the Regulated Market of the [ ] with effect from [•]] [Not Applicable.] (Where documenting a fungible issue need to indicate that the original notes are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [•]

## DISTRIBUTION

- Dealer(s): [AXA BANK EUROPE SA/ [•]]

[Selling fees: [•]]

[Additional selling restrictions: [•]]

#### **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

Clearing System(s): [•]

Principal Paying Agent: [AXA BANK][ BIL]

Paying Agent: [N/A][AXA BANK]

#### **SECONDARY MARKET** *(Include this provision if Secondary Market is provided)*

[Applicable]

Maximum Spread: [•]

Maximum Commission: [•]

Maximum Exit Penalty: [•]

#### **RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of the Guarantor:

By:

Duly authorised

#### **[PART B – SIMULATIONS [AND OTHER INFORMATION]]**

[SIMULATIONS]

[●] *(Please insert simulations for the Variable Rate or the Variable Linked Redemption Amount)*

[These simulations are fictitious examples and by no means represent reliable indicators.]

[OTHER INFORMATION]

[●] *(Insert other information such as the historical evolution of the Floating Rate or the Underlying(s))*

[This information has been extracted from [Insert source]. [Each of] the Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading]

### **[PART C – SUMMARY]**

## **ANNEX 2: SENIOR GUARANTEE**

A form of the Senior Guarantee is reproduced here below:

**AXA BELGIUM FINANCE (NL) B.V.**

**and**

**AXA BANK**

**Notes Issuance Programme**

**SENIOR GUARANTEE**

**by**

**AXA BANK EUROPE SA**

9 September 2014

WHEREAS the Board of Managing Directors of AXA BELGIUM FINANCE (NL) B.V. (the "Issuer" or "ABF(NL)") has decided on 27 July 2010, to set up a Notes Issuance Programme (the "Programme") under which it may from time to time issue Notes (the "ABF(NL) Notes"), which may be linked to various underlyings (the "Underlying"), that rank as senior obligations of the Issuer (the "Senior ABF(NL) Notes") or that rank as senior subordinated obligations to the Issuer (the "Senior Subordinated ABF(NL) Notes"). Senior ABF(NL) Notes will be guaranteed by AXA BANK EUROPE SA (also named AXA BANK SA/AXA BANK NV) (the "Guarantor" or "AXA BANK") on a senior basis pursuant to this Senior Guarantee;

WHEREAS the Board of Directors of AXA BANK has approved to guarantee on a senior basis the issue by ABF(NL) of Senior ABF(NL) Notes under the Programme by decision of 27 July 2010;

WHEREAS the Board of Directors of AXA BANK has validated the increase of the maximum size of the Programme to EUR 2.000.000.000 by decision of 14 May 2012;

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Senior ABF(NL) Note (each a "Noteholder" and together the "Noteholders") to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those enumerated in the Base Prospectus and the relevant Final Terms, included by reference in the present Senior Guarantee. This Senior Guarantee is enforceable against the Guarantor upon first demand sent by the holder by registered mail to the registered office of the Guarantor.

The Base Prospectus setting out the terms of the Programme has been approved by the Belgian Financial Services and Markets Authority in its decision of 9 September 2014 (This Base Prospectus replaces and supersedes the Base Prospectus of ABF(NL) and AXA BANK dated 10 September 2013).

It is understood that any payments to be made under this Senior Guarantee shall be made in the currency of the underlying Notes.

This Senior Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such Notes.

This Senior Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Senior Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Senior Guarantee are to be brought before the competent Courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Senior Guarantee to be duly executed and delivered as of 9 September 2014.

On behalf of AXA BANK EUROPE SA

Member of the Board of Directors

## **ANNEX 3: SUBORDINATED GUARANTEE**

A form of the Senior Subordinated Guarantee is reproduced here below:

**AXA BELGIUM FINANCE (NL) B.V.**

**and**

**AXA BANK**

**Notes Issuance Programme**

**SENIOR SUBORDINATED GUARANTEE**

**by**

**AXA BANK EUROPE SA**

9 September 2014

WHEREAS the Board of Managing Directors of AXA BELGIUM FINANCE (NL) B.V. (the "Issuer" or "ABF(NL)") has decided on 27 July 2010, to set up a Notes Issuance Programme (the "Programme"), under which it may from time to time issue Notes (the "ABF(NL) Notes"), which may be linked to various underlyings (the "Underlying"), that rank as senior obligations of the Issuer (the "Senior ABF(NL) Notes") or that rank as senior subordinated obligations to the Issuer (the "Senior Subordinated ABF(NL) Notes"). Senior Subordinated ABF(NL) Notes will be guaranteed by AXA BANK EUROPE SA (also named AXA BANK SA/AXA BANK NV) (the "Guarantor" or "AXA BANK") on a senior subordinated basis pursuant to this Senior Subordinated Guarantee;

WHEREAS the Board of Directors of AXA BANK has approved to guarantee on a senior subordinated basis the issue by ABF(NL) of Subordinated Notes under the Programme by decision of 27 July 2010;

WHEREAS the Board of Directors of AXA BANK has validated the increase of the maximum size of the Programme to EUR 2.000.000.000 by decision of 14 May 2012;

The Guarantor hereby unconditionally and irrevocably guarantees as and for its own debt to each holder of each Subordinated ABF(NL) Note (each a "Noteholder" and together the "Noteholders") to pay or procure to pay such amounts to the Noteholders who have not obtained due payment from the Issuer if and when such amounts fall due under the Terms and Conditions. The Terms and Conditions are those set out in the Base Prospectus and the relevant Final Terms, included by reference in the present Senior Subordinated Guarantee. This Subordinated Guarantee is enforceable against the Guarantor upon first demand sent by the holder by registered mail to the registered office of the Guarantor.

This Subordinated Guarantee is granted by the Guarantor on a senior subordinated basis. This means that in the event of a dissolution or liquidation of the Guarantor (including the following events creating a "concurso de acreedores/samenloop van schuldeisers": bankruptcy ("faillite/faillissement"); judicial reorganisation ("réorganisation judiciaire/gerechtigde reorganisatie") and judicial or voluntary liquidation ("liquidation volontaire ou force/vrijwillige of gedwongen liquidatie") (other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Guarantor)), the holders of Senior Subordinated ABF(NL) Notes irrevocably waive their rights to equal treatment with other unsecured creditors ("créanciers chirographaires/chirografaire schuldeisers"). Consequently, the holders of Senior Subordinated ABF(NL) Notes agree that upon the occurrence of any of the events described in the preceding sentence, the Guarantor will have no obligation to pay any principal or interest due to them until all Senior Creditors of the Guarantor have been paid, or the funds necessary to satisfy the Senior Creditors have been put in escrow ("en consignation/in consignatie").

"Senior Creditors" means all creditors who are depositors or other general, unsubordinated creditors.

The Base Prospectus has been approved by the Belgian Financial Services and Markets Authority in its decision of 9 September 2014 (This Base Prospectus replaces and supersedes the Base Prospectus of ABF(NL) and AXA BANK dated 10 September 2013).

It is understood that any payments to be made under this Senior Subordinated Guarantee shall be made in the currency of the underlying ABF(NL) Notes.

This Senior Subordinated Guarantee is a continuing guarantee and nothing but payment in full of the amounts due by the Issuer in application of the Notes hereby guaranteed shall discharge the Guarantor of its obligations hereunder in respect of such ABF(NL) Notes.

This Senior Subordinated Guarantee shall be governed by, and interpreted in accordance with, the laws of Belgium.

This Senior Subordinated Guarantee may be executed in any number of counterparts.

All actions arising out of or based upon this Senior Subordinated Guarantee are to be brought before the competent courts in Brussels.

In witness whereof, the Guarantor has authorised and caused this Senior Subordinated Guarantee to be duly executed and delivered as of 9 September 2014.

On behalf of AXA BANK EUROPE SA

Member of the Management Board



## **ANNEX 4: ANNUAL ACCOUNTS AXA BELGIUM FINANCE (NL) BV**

**ANNEX 5: ANNUAL ACCOUNTS AXA BANK EUROPE SA  
(CONSOLIDATED)**

**ISSUER**

**AXA BELGIUM FINANCE (NL) B.V.**

Ginnekenweg 213  
4835 NA Breda  
The Netherlands

**ISSUER AND GUARANTOR**

**AXA BANK EUROPE SA**

Boulevard du Souverain 25  
B- 1170 Brussels  
Belgium

**FISCAL AGENT, PRINCIPAL PAYING AGENT**

**Banque Internationale à Luxembourg, société anonyme**

69 route d'Esch  
L-1470 Luxembourg  
Grand Duchy of Luxembourg

**PAYING AGENT, CALCULATION AGENT**

**AXA BANK EUROPE SA**

Boulevard du Souverain 25  
B- 1170 Brussels  
Belgium

**AUDITORS**

**To ABF(NL)**

PricewaterhouseCoopers Accountants N.V.  
P.O. Box 90357  
1006 BJ Amsterdam  
The Netherlands

**To AXA BANK**

PricewaterhouseCoopers Bedrijfsrevisoren CVBA  
Woluwedal 18  
B-1932 Sint-Stevens-Woluwe  
Belgium