AXA Bank Europe

2015 IFRS Consolidated Financial Statements

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All amounts included in the financial statements are expressed in thousands of euros unless stated otherwise. The figures are presented according to absolute values and must therefore be read in conjunction with the description of the relevant section, except in sections where there is a distinction between profits (absolute value) and losses (- sign).

AXA Bank annual accounts have been officially filed at the Central Balance Sheet Office of the National Bank of Belgium. This document in English is a free translation of the annual accounts produced in French and Dutch.
If a discrepancy should exist between the information contained in this publication and the official version filed at the National Bank of Belgium (NBB), it is the latter that prevails.

Consolidated income statement

Consolidated income statement in '000 EUR	2015.12	2014.12 RE-CLASSIFIED*	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	369.813	320.522	
Interest income	2.234.785	2.126.537	
Cash & balances with central banks			
Financial assets held for trading (if accounted for separately)	1.534.124	1.358.553	
Financial assets designated at fair value through profit or loss (if accounted for separately)	0		
Available-for-sale financial assets	135.250	153.822	
Loans and receivables (including finance leases)	513.588	549.786	
Held-to-maturity investments			
Derivatives - Hedge accounting, interest rate risk	48.919	64.130	
Other assets	2.903	246	
(Interest expenses)	1.998.700	1.893.163	
Deposits from central banks			
Financial liabilities held for trading (if accounted for separately)	1.527.653	1.329.669	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	39.131	36.585	
Financial liabilities measured at amortised cost	260.062	329.752	
Deposits from credit institutions			
Deposits from non credit institutions			
Debt certificates			
Subordinated liabilities			
Other financial liabilities			
Derivatives - Hedge accounting, interest rate risk	171.765	197.156	
Other liabilities	90		
Expenses on share capital repayable on demand			
Dividend income	9		
Financial assets held for trading (if accounted for separately)			
Financial assets designated at fair value through profit or loss (if accounted for separately)			
Available-for-sale financial assets	9		
Fee and commission income	43.888	43.665	7
(Fee and commission expenses)	35.973	37.723	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	59.233	107.196	8
Available-for-sale financial assets	56.383	96.434	
Loans and receivables (including finance leases)	2.850	10.762	
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	31.949	59.669	
Equity instruments and related derivatives	-2.780	42.449	
Interest rate instruments and related derivatives	45.881	30.982	
Foreign exchange trading	-11.152	-6.884	
Credit risk instruments and related derivatives		-6.879	
Commodities and related derivatives			
Other (including hybrid derivatives)			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	44.550	-51.415	9
Gains (losses) from hedge accounting	-44.645	-72.461	10
Exchange differences , net	5.056	13.692	
Gains (losses) on derecognition of assets other than held for sale, net			
Other operating net income	29.661	24.525	11

Consolidated income statement in '000 EUR	2015.12	2014.12 RE-CLASSIFIED*	Disclosure
Administration costs	246.821	232.128	
Personnel expenses	107.190	102.194	12
General and administrative expenses	139.631	129.934	13
Depreciation	4.344	4.175	
Property, Plant and Equipment	2.203	2.210	25
Investment Properties			
Intangible fixed assets (other than goodwill)	2.141	1.965	24
Provisions	-6.554	3.586	
Impairment	27.938	27.692	20
Impairment losses on financial assets not measured at fair value through profit or loss	27.920	27.692	
Financial assets measured at cost (unquoted equity)			
Available for sale financial assets		-3.669	
Loans and receivables (including finance leases)	27.920	31.361	
Held to maturity investments			
Impairment on	18		
Property, plant and equipment			
Investment properties			
Goodwill			
Intangible fixed assets (other than goodwill)	18		
Investments in associates and joint ventures accounted for using the equity method			
Other			
Negative goodwill immediately recognised in profit or loss			
Share of the profit or loss of associatesand joint ventures accounted for using the equity method			
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations			
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**97.264**	**52.940**	
Tax expense (income) related to profit or loss from continuing operations	16.592	-2.482	14
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**80.672**	**55.423**	
Total profit or loss after tax from discontinued operations	-53.444	-103.573	
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	**27.228**	**-48.150**	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	**27.228**	**-48.150**	

Table 0.1

(* Reclassification of 2014 by application of IFRS 5)

Consolidated statement of realised and non-realised results in '000 EUR	2015.12	2014.12	
PROFIT (LOSS) FOR THE YEAR	27.228	-48.150	
NON-REALISED RESULTS			
Elements not transferrable to result	16.777	-14.542	(3)
Actuarial gains (losses) on defined benefit pension plans	25.417	-22.030	
income tax related to previous elements	-8.639	7.488	
Transferred to profit or loss	8.721	157.964	
Foreign currency translation	-2.688	-3.268	
Translation gains/losses taken to equity	-2.688	-3.268	
Transferred to profit or loss			
Other reclassifications			
Cash flow hedges (effective portion)	12.766	1.376	(1)
Valuation gains/losses taken to equity	-16.009	1.376	
Transferred to profit or loss	28.775		
Transferred to initial carrying amount of hedged items			
Other reclassifications			
Available-for-sale financial assets	-86	237.630	(2)
Valuation gains/losses taken to equity	-10.407	282.081	
Transferred to profit or loss	10.321	-44.451	
Other reclassifications			
Non-current assets and disposal groups classified as held for sale	3.040	2.694	
Income tax relating to components of other non-realised results	-4.311	-80.468	
TOTAL NON-REALISED RESULTS FOR THE YEAR	25.498	143.422	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	52.726	95.272	
Attributable to equity holders of the parent	52.726	95.272	
Attributable to minority interest			

Table 0.2

The table below presents the amounts before tax as well as the deferred taxes with respect to the items disclosed in the previous table (overview in thousands of euros)

Cash flow hedges (1)	2015.12	2014.12
Gross	12.766	1.376
Tax	-4.340	-468
Net (1)	8.426	909

Financial investments available for sale (2)	2015.12	2014.12
Gross	-86	237.630
Tax	29	-80.000
Net (2)	-57	157.629

Actuarial gains (losses) on defined benefit plans (3)	2015.12	2014.12
Gross	25.417	-22.030
Tax	-8.639	7.488
Net (3)	16.778	-14.542

Table 0.3

Consolidated balance sheet

Consolidated Balance Sheet - Assets in '000 EUR	2015.12	2014.12	Annexes
Cash and balances with central banks	337.156	386.474	15 / 38
Financial assets held for trading	1.555.673	6.412.466	19 / 21
Financial assets designated at fair value through profit or loss			17
Available-for-sale financial assets	7.838.627	9.263.827	18
Loans and receivables	19.765.932	25.663.294	16
Held-to-maturity investments			
Derivatives - hedge accounting	126.126	172.059	21
Fair value changes of the hedged items in portfolio hedge of interest rate risk	498.363	595.688	
Tangible fixed assets	41.379	45.779	
Property, Plant and Equipment	41.379	45.779	25
Investment property			
Intangible fixed assets	6.885	5.447	
Goodwill			
Other intangible assets	6.885	5.447	24
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill)			
Tax assets	4.833	4.721	
Current tax assets	4.815	5	14
Deferred tax assets	18	4.716	
Other assets	101.635	91.938	22
Non-current assets and disposal groups classified as held for sale	633.047		
TOTAL ASSETS	30.909.656	42.641.694	

Table 0.4

Consolidated Balance Sheet - Liabilities in '000 EUR	2015.12	2014.12	Annexes
Financial liabilities held for trading	900.768	6.240.739	29
Financial liabilities designated at fair value through profit or loss	1.633.560	1.613.123	26
Financial liabilities measured at amortised cost	21.466.856	23.607.027	27
Deposits from Credit institutions	10.783	94.212	27
Deposits from Other than credit institutions	16.988.998	17.078.888	27
Debt certificates including bonds	3.249.269	3.288.697	27
Subordinated liabilities	117.807	168.667	27/28
Other financial liabilities	1.099.998	2.976.563	
Financial liabilities associated with transferred assets	4.082.301	8.375.103	41
Derivatives - hedge accounting	544.533	1.100.725	21
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	112.118	147.501	
Provisions	209.007	329.137	31
Tax liabilities	60.325	39.620	
Current tax liabilities	27.672	28.879	14
Deferred tax liabilities	32.653	10.741	
Other liabilities	63.778	66.950	30
Liabilities included in disposal groups classified as held for sale	662.704		
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	29.735.950	41.519.925	

Table 0.5

Consolidated Balance Sheet - Equity in '000 EUR	2015.12	2014.12	Annexes
Share capital	681.318	681.318	
Paid in capital	681.318	681.318	
Called up share capital			
Share premium			
Other Equity	91.120	90.581	
Equity component of combined financial instruments	90.000	90.000	
Other	1.120	581	
Non-realised results	134.175	108.677	
Tangible fixed assets			
Intangible fixed assets			
Hedge of net investments in foreign operations (effective portion)			
Foreign currency translation	5	2.693	
Cash flow hedges (effective portion)	-10.568	-18.995	
Available for sale financial assets	155.347	155.405	
Non-current assets and disposal groups held for sale	3.040		
Actuarial gains/losses relating to defined benefit plans	-13.649	-30.427	
Reserves (including retained earnings)	239.864	289.343	
<Treasury shares>			
Income from current year	27.228	-48.150	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	**1.173.706**	**1.121.769**	36
TOTAL LIABILITIES AND EQUITY	**30.909.656**	**42.641.694**	

Table 0.6

As per 2 February 2016, ABE signed a business transfer agreement for the sale of the business of its Hungarian branch with OTP Bank. Completion of the transaction is subject to the approvals of the competent authorities and customary conditions. It should be finalized during the last quarter of the year 2016. The transfer to OTP covers the entire Hungarian business, including loan portfolios and deposits, the staff and operational systems. The main elements that make up the same time the largest share of the balance sheet on the asset the loan portfolio and the liabilities deposits. The overall share in the balance of Hungary as at 31-12-2015 is 633 048 thousands euro on the assets side and 662 704 thousands euro at the liabilities side.

2015-12	Gross value	Impact on taxes	net value
Opening balance	235.403	-79.998	155.405
Investment brought in prior accounting periods			
Transfer to P&L following sale	-56.379		-56.379
Transfers to P&L following changes in premium/discount	66.703		66.703
Foreign exchange impact	-1		-1
Adjustments in the current accounting period	-10.407	27	-10.380
Investments bought in the current accounting period			
Adjustements in the current accounting period			0
Closing balance	235.319	-79.971	155.348

2014-12	Gross value	Impact on taxes	net value
Opening balance	-2.259	-2	-2.261
Investment brought in prior accounting periods			
Transfer to P&L following sale	-116.231		-116.231
Transfers to P&L following changes in premium/discount	71.780		71.780
Foreign exchange impact	1		1
Adjustments in the current accounting period	167.423	-47.211	120.212
Investments bought in the current accounting period			
Adjustements in the current accounting period	114.689	-32.785	81.904
Closing balance	235.403	-79.998	155.405

Table 0.9

Consolidated statement of changes in equity

Sources of equity changes 12.2015 in '000 eur	Paid in capital	Equity components of combined financial instruments	Other equity instuments	Unrealised gains and losses - reserves from foreign currency translations	Unrealised gains and losses - cashflow hedges	unrealised gains and losses - available for sale financial assets	actuarial gains and losses - pension benefits	non current assets and disposal groups - held for sale	reserves (including retained earnings)	income from current year*	Total
Opening balance	681.318	90.000	581	2.693	-18.995	155.405	-30.427	0	289.343	-48.150	1.121.768
changes in capital	0										0
issuance		0									0
profit (loss)										27.228	27.228
Cash dividents declared											0
Revaluation change of available for sale financial assets						-58					-58
changes in fair value			539	-2.688			16.778				14.629
cash flow hedges					8.427						8.427
releases to retained earnings									-49.478	48.150	-1.328
capital reduction											0
other								3.040			3.040
Closing balance	681.318	90.000	1.120	5	-10.568	155.347	-13.649	3.040	239.864	27.228	1.173.706

Table 0.7

Sources of equity changes 12.2014 in '000 eur	Paid in capital	Equity components of combined financial instruments	Other equity instuments	Unrealised gains and losses - reserves from foreign currency translations	Unrealised gains and losses - cashflow hedges	unrealised gains and losses - available for sale financial assets	actuarial gains and losses - pension benefits	non current assets and disposal groups - held for sale	reserves (including retained earnings)	income from current year*	Total
Opening balance	**546.318**	**0**	**0**	**3.267**	**-19.903**	**-2.224**	**-15.885**	**0**	**297.532**	**-12.223**	**796.882**
changes in capital	135.000										**135.000**
issuance		90.000									**90.000**
profit (loss)		0			0		0		0	-48.150	**-48.150**
Cash dividents declared		0			0						**0**
Revaluation change of available for sale financial assets		0				157.629					**157.629**
changes in fair value			581	-574			-14.542				**-14.535**
cash flow hedges		0			908						**908**
releases to retained earnings		0							-8.189	12.223	**4.034**
capital reduction		0									**0**
Closing balance	**681.318**	**90.000**	**581**	**2.693**	**-18.995**	**155.405**	**-30.427**	**0**	**289.343**	**-48.150**	**1.121.768**

Table 0.8

Consolidated cash flow statement

OPERATING ACTIVITIES	2015.12 in '000 EUR	2015.12 in '000 EUR
Net profit (loss)	27.228	-48.150
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	120.543	22.689
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	16.592	-3.029
Unrealised foreign currency gains and losses	-2.688	-574
FV through P&L	106.639	26.291
INVESTING AND FINANCING	25.728	165.611
Depreciation	4.362	5.154
Impairment	27.920	54.128
Provisions net	-6.554	106.328
OPERATING	19.028	-9.927
Net unrealised gains (losses) from cash flow hedges		
Net unrealised gains (losses) from available-for-sale investments		
Other adjustments	19.028	-9.927
Cash flows from operating profits before changes in operating assets and liabilities	192.527	130.222
Increase (Decrease) in working capital (excl. cash & cash equivalents):	-182.843	-397.418
Increase (decrease) in operating assets (excl. cash & cash equivalents):	12.093.734	-5.447.885
Increase (decrease) in balances with central banks		
Increase (decrease) in loans and receivables	5.873.111	-1.545.502
Increase (decrease) in available-for-sale assets	1.411.777	-579.961
Increase (decrease) in financial assets held for trading	4.856.793	-3.429.830
Increase (decrease) in financial assets designated at fair value through profit or loss		4.864
Increase (decrease) in asset-derivatives, hedge accounting	45.933	15.050
Increase (decrease) in non-current assets held for sale		
Increase (decrease) in other assets (definition balance sheet)	-93.880	87.494
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	-12.276.577	4.908.296
Increase (decrease) in deposits from credit institutions	70.765	-518.670
Increase (decrease) in deposits (other than credit institutions)	-75.416	19.961
Increase (decrease) in debt certificates (including bonds)	-208.095	502.247
Increase (decrease) in financial liabilities held for trading	-5.386.880	3.267.242
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-39.293	167.679
Increase (decrease) in liability-derivatives, hedge accounting	-485.823	278.581
Increase (decrease) in other financial liabilities	-6.169.367	1.174.566
Increase (decrease) in other liabilities (definition balance sheet)	17.532	16.689
Income taxes (paid) refunded	-6.741	-1.794
Net cash flow from operating activities	2.943	-295.280

INVESTING ACTIVITIES	2015.12 en '000 EUR	2014.12 en '000 EUR
(Cash payments to acquire tangible assets)	2.197	-2.444
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-3.597	-341
Net cash flow from investing activities	**-1.400**	**-2.786**

FINANCING ACTIVITIES	2015.12 en '000 EUR	2014.12 en '000 EUR
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-50.860	-81.336
Cash proceeds from issuing shares or other equity instruments		225.000
Net cash flow from financing activities	**-50.860**	**143.664**
Effect of exchange rate changes on cash and cash equivalents		

	2015.12 en '000 EUR	2014.12 en '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	-49.319	-154.401
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	386.474	540.876
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	337.155	386.474
Components of cash and cash equivalents:		
On hand (cash)	62.342	72.434
Cash and balances with central banks	269.567	278.228
Loans and receivables	5.246	35.812
Available-for-sale assets		
Total cash and cash equivalents at end of the period	**337.155**	**386.474**
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	2.234.785	2.191.959
Dividend income received		
Interest expense paid	1.998.610	1.912.514

	2015.12 in '000 EUR	2014.12 in '000 EUR
changes arising from discontinued operation	29.657	116.072
changes arising from discontinued investment activity		
changes arising from discontinued financing activities		

Cash flow from operating activities

The net incoming cash flow of EUR 2 million is due to:

- The cash arising from the results for a sum of 192 million EUR.
- Company assets decreased by 12.094 million EUR. Within this, the decrease of loans and receivables with 5.873 million EUR, stands out. The Financial assets available for sale decrease with 1.412 million EUR. The financial assets held for trading, decrease with 4.857 million EUR.
- Business liabilities decreased by 12.276 million EUR. We note a increase in deposits of 70 million EUR. Deposits with non credit institutions have decreased by EUR 208 million. Financial trading liabilities have decreased by 5.387 million EUR. The decrease of financial liabilities at fair value for an amount of 39million EUR concerns the EMTN (European Medium Term Note) activity. The other financial liabilities decreased by 6.169 million EUR.

Cash flow from investing activities

There is a negative cash flow of 1.4 million EUR due to investments in property, plant and equipment and intangible assets.

Cash flow from financing activities amounted to -51 million EUR from:

- Repayment of subordinated loans issued by AXA Bank Europe (-51 million EUR);

This resulted in a net decrease in cash and cash equivalents for a total amount of -49 million EUR.

Future cash flows

AXA Bank Europe is anticipating an increase in the credit portfolio which will be funded by existing surpluses and attracting further savings from customers.

Notes to the consolidated financial statements

1 General

At December 31, 2015, AXA Bank Europe, a limited company under Belgian law, whose registered office is at 1170 Brussels, Boulevard du Souverain 25 was a subsidiary 100% owned by AXA SA.

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 B.V. and AXA Bank Europe SCF.

The activities regarding IT Center Poland, are ceased in 2015.

The following subsidiaries were not recognised in the consolidation circle during the financial year 2015 given their negligible significance (see more about this under item 2.1 with respect to consolidation principles).

- Motor Finance Company N.V.
- Beran NV

Further information regarding these companies is found under item 23 Investments in associates, subsidiaries and joint ventures.

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 leading 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.

2 Accounting policies

2.1 Consolidation principles

2.1.1 General

AXA Bank Europe currently only has subsidiaries, i.e., companies over which it exercises full control. Typically, all subsidiaries 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 integrate the subsidiaries that are out of the consolidation scope for the application of the IFRS consolidated financial statements. This decision applies to subsidiaries whose total balance 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.

The subsidiary AXA Belgium Finance BV as well as the SPV Royal Street NV and the SCF AXA Bank Europe (Société de Crédit Foncier) are fully consolidated.

2.1.2 Intragroup 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.

2.2 Financial instruments - securities

2.2.1 Fixed income securities

Fixed income securities are defined as negotiable securities, which generate interest revenue through coupons or interest capitalisation. Mortgage certificates also fall under this definition.

The initial recognition of fixed income securities on the balance sheet takes place on the transaction date.

When fixed income securities are initially recognised they are recognised at their fair value, i.e., their purchase value (including paid accrued interests).

Upon their initial recognition, the fixed income securities, depending on the existing options and the measurement objective, are designated in one of the following categories:

(i) Assets at fair value held for trading

(ii) Assets designated at fair value through profit or loss;

(iii) Assets held to maturity;

(iv) Loans and receivables;

(v) Assets available for sale.

Typically, the fees related to the transaction must be capitalised with the purchase value for categories (iii), (iv) and (v). Due to the principle of immateriality, the AXA Bank Europe Group decided to directly include these fees in the income statement.

(i) Assets at fair value held for trading

Fixed income securities are classified as assets held at fair value for trading if they are:

- primarily acquired or entered into with the purpose of being sold or bought back in the short term;
- form part of identified financial instruments that are jointly managed and for which indications exist of a recent, actual pattern of short-term profit taking.

Even though IAS 39 allows for reclassifications outside of this category under strict conditions, AXA Bank Europe has not made use of this option up to now.

For the determination of the net profits and net losses:

- A distinction is made between profit margin and changes in value due to changes in fair value
- no distinction is made between capital gains / losses and rating profits and losses;
- Changes in value are netted.

(ii) Assets designated at fair value through profit or loss

This classification is used at the AXA Bank Europe Group in the following three circumstances:

1) The classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules. In most cases it involves fixed income securities, which are covered by derivatives, but where it was not decided to apply hedge accounting.

2) The classification leads to more relevant information since a group of financial assets, i.e., specific categories of investment funds, are managed and their performance evaluated on the basis of their fair valuein accordance with a documented risk management or investment strategy.

3) If it involves structured fixed income securities, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

The indication is permitted under paragraph 11A of IAS 39.

This indication is not possible :

- Where the derivative(s) determined in a contract do not lead to a major change in cash flows, which would otherwise be required by the contract;

- where, after a swift or even no analysis, when a similar hybrid (composed) instrument is considered for the first time, it is clear that the separation of the derivative(s) embedded in a contract is not permitted. For instance, a prepayment option embedded in a loan that permits the holder to repay the loan prematurely, at approximately the amortized cost.

Following initial disclosure no reclassifications are possible within or outside this category.

For the determination of the net profits and net losses:

- a distinction is made between profit margin and changes in value due to changes in fair value
- no distinction is made between capital gains / losses and rating profits and losses.

(iii) Assets held to maturity

In the (rare) circumstance where the AXA Bank Europe Group is authorised by its parent company to use this category, it involves fixed income securities with fixed or determinable payments and a fixed maturity which are quoted on an active market and which the AXA Bank Europe Group definitely intends to and is able to hold until maturity.

After initial recognition, only limited reclassifications are possible outside of this category (disappearance of active market) and subject to approval by the parent company within this category.

(iv) Loans and receivables

This category is used if it involves fixed income securities with fixed or determinable payments and a fixed maturity which are not quoted on an active market and which the AXA Bank Europe Group definitely intends to hold until maturity.

At AXA Bank Europe, these are promissory notes that SCF (Société de Crédit Foncier) acquired from AXA Bank France for its issue of underlying covered bonds

After initial recognition no reclassifications are possible outside of this category. Even though IAS 39 allows for reclassifications within this category under strict conditions, AXA Bank Europe has not made use of this option up to now.

(v) Assets available for sale.

This category is used for available-for-sale fixed income securities or for fixed income securities, which cannot be assigned to one of the above categories.

After initial recognition, only limited reclassifications are possible outside and inside this category (in relation to assets held to maturity) subject to approval of the parent company within this category.

The subsequent rating takes place as follows:

- For rating categories (i) and (ii) each change between fair value and the acquisition price is booked to the income statement, with the fair value being the quoted price or, if there are none, recent price for similar securities or valuations. The changes in fair value are split in the income statement into interest yield and pure fair value changes.
- For categories (iii) as well as (iv), the assets are valued at the amortised cost, where the interest yield is recognised in the income statement on the basis of the effective interest rate method. In the event of objective evidence of irrecoverability, the assets are subject to an individual or collective impairment test. The impairment amount is the difference between the outstanding carrying amount and the present value of the estimated future cash flows.
- For category (v), the securities are valued at fair value, where the interest yield is included in the income statement on the basis of the effective interest rate method while each difference between fair value and amortised cost is deferred in equity.

In the case of categories (i) and (ii), no impairment test is carried out.

For category (iv) (non quoted fixed income securities), the rule of loans and receivables apply, as mentioned in the relevant valuation rules for impairment.

For categories (iii) and (v) and if objective evidence shows non-recoverability, the securities are the subject of an individual impairment test for extraordinary reduction in value related to the individual assessment.

Typically the market value in itself is not enough of an indication that impairment has occurred. AXA Bank Europe has decided to follow the rules of the parent company. The amount of the depreciation is based on the fair value, where the unrealised loss is based on a significant or long-term decrease in fair value of a security compared to its purchase price. This impairment loss is recognised in the income statement.

The following principles are applied:

- Fixed income securities
    - Securities with unrealised losses of more than 30% and which have been in existance for a consecutive period of 6 months or more: they are decreased in value, unless it appears after inspection that no credit event has taken place. In this case the loss of value is attributed to, for example, a change in interest rates or other causes.
    - Securities with unrealised losses up to 30%: no impairment or documentation is required, only specific monitoring.

The listed unrealised losses exclude exchange rate results, as well as any individual impairment loss

In the event that an objective indication, such as an improvement in creditworthiness, indicates that the recoverable amount has increased, the individual impairment loss is reversed through the income statement.

If within the categories (iii), (iv) and (v) a derivative is embedded in the basic contract, which is not closely related to the economic features and risks of the basic contract, the said embedded derivative must typically be detached from the basic contract and valued separately as a derivative.

The AXA Bank Europe Group has decided, in such cases, to assess these contracts at fair value with value changes in the income statement (refer to the discussion of relevant category above).

The derecognition of the fixed income securities takes place at maturity date or on the transaction date in the event of a sale. In the latter case, the difference between the received payment and the carrying amount on the transaction date (after cross-entry of potential deferred income/costs) is recognised in the income statement as a realised capital gain or loss.

2.2.2 Non-fixed income securities

Non-fixed income securities are defined as shares, as well as no-par value shares in investment companies (mutual investment funds, Sicav, hedge funds).

Non-fixed income securities are first recognised in the balance sheet on the transaction date.

They are recognised at their fair value, i.e., their purchase value.

When initially recognised, non-fixed income securities, are classified in one of the following categories, depending on the existing options and the measurement objective:

(i) Assets at fair value held for trading;

(ii) Assets designated at fair value through profit or loss;

(iii) Assets available for sale.

Typically, for rating category (iii) the fees related to the transaction must be capitalised on initial recognition at purchase value. Due to the principle of immateriality the AXA Bank Europe Group decided to directly include these in the income statement.

(i) Assets at fair value held for trading

Non-fixed income securities are classified as assets at fair value held for trading if they:

- are primarily acquired or entered into with the purpose of being sold or bought back in the short term;
- form part of identified financial instruments that are jointly managed and for which indications exist of a recent, actual pattern of short-term profit taking.

For the calculation of net profits and net losses:

- a distinction is made between interest margin, received dividends and value changes due to changes in fair value;
- no distinction is made between capital gains / losses and rating profits and losses;
- Value changes are netted

(ii) Assets designated at fair value through profit or loss

This classification is used at the AXA Bank Europe Group in the following three instances.

The classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them through using a different basis of valuation. In most cases it involves non-fixed income securities, which are hedged by derivatives, but where it was not decided to apply hedge accounting.

The classification leads to more relevant information because a group of financial assets, i.e., specific categories of investment funds are managed and its performance evaluated on the basis of the fair value, in accordance with a documented risk management or investment strategy.

The indication is permitted under paragraph 11A of IAS 39. involving non-fixed income securities, which include one or more derivatives and

- where the derivative(s) determined in a contract do not lead to a major change in cash flows, which would otherwise be required by the contract;

- where, after a swift or no analysis, when a similar hybrid (composed) instrument is considered for the first time, it is clear that the separation of the derivative(s) embedded in a contract is not permitted.

Following initial disclosure no reclassifications are possible within or outside this category.

For the determination of the net profits and net losses:

- a distinction is made between interest margin, received dividends and value changes due to changes in fair value;
- no distinction is made between capital gains / losses and rating profits and losses.

(iii) Assets available for sale.

This category is used for non-fixed income securities being available for sale or for non-fixed income securities, which could not be assigned to one of the above categories.

The subsequent rating takes place as follows:

- For categories (i) and (ii) each change between fair value and cost is recognised in the income statement, where the fair value represents the quoted price or, if there is no quoted price, recent price valuations for similar securities or a rating technique.
- For category (iii) the securities are valued at fair value, where any difference between fair value and cost is deferred in the Shareholders' equity.

In the case of categories (i) and (ii), no impairment test is carried out.

In the case of category (iii) and if there is objective evidence of non-recoverability, the securities are subjected to an impairment test related on individual assessment. The impairment is based on the market value and subsequent countervalue in euros, where the unrealised loss is confirmed by a significant or long-term decrease in the fair value of a security compared to its cost price.

Regarding the individual assessment of the major or long-term decreases in value the following rules imposed by the parent company need to be applied

- unrealised losses of 20% or more;
- unrealised losses for a consecutive period of more than 6 months.

The cumulative unrealised loss (including Foreign exchange results) is transferred from Shareholders' equity and is recognised on the income statement as impairment loss.

Once an impairment on non-fixed income securities has become permanent at the end of a period, it can not be reversed; the cost is adjusted from the date of the impairment to the decreased amount (regardless of the scope of reason for the depreciation) and at the same time this becomes the new cost for a potential subsequent further depreciation. Every additional depreciation is immediately recorded in the profit and loss account.

If it is not possible to determine a share’s fair value, it is only valued at cost. In relation to the impairment test, the rules for non-fixed income securities remain in full force.

If within category (iii) a derivative is embedded in the basic contract, and it is not closely related to the economic features and risks of the basic contract, this embedded derivative shall be separated from the basic contract and valued separately as a derivative.

The AXA Bank Europe Group has decided, in such cases, to assess these contracts at fair value with changes in value recorded in the income statement (see discussion of relevant category above).

The dividends are recognised as income when the company secures the right to collect these dividends.

The derecognition of the non-fixed income securities takes place in the event of a sale on the transaction date. On this date the difference between the received payment and the carrying amount (after cross-entering any deferred income/expenses) is recognised in the income statement as a realised capital gain or loss.

2.3 Financial instruments – Loans and receivables

2.3.1 Performing loans and receivables

The credits granted by the company to its clients are recognised at fair value in the balance sheet on the date they are made available. They are assigned to the category "Loans and receivables" measured at amortised cost.

Within this category there are currently no derivatives embedded in basic contracts, which are not closely related to the economic features and risks of the basic contract and consequently must be separated from the basic contract and valued separately as a derivative.

Should this still be the case, such contracts shall be fully valued at fair value through the profit-and-loss account (see the description of relevant category within fixed income securities).

Typically for the initial recognition, all incremental transaction fees and received payments must be added and/or deducted from the initial fair value. The deduction of imputed application fees was not applied until the 2014 financial year due to the principle of immateriality and the former possibility of compensation with internal acquisition costs directly related to IAS 18. Since then, AXA Bank Europe has decided to deduct the origination costs charged at initial recognition.

The acquisition commissions are however capitalised (added to the acquisition price) in the credit files.

The accrued interests are recognised in the income statement on the basis of the effective interest rate.

The effective interest rate is the rate that exactly discounts the future contractually specified cash flows until maturity to the acquisition value, taking into account the above capitalised acquisition expenses.

The aforementioned acquisition expenses are therefore amortised within the interest income over the contractual term.

Imputed origination costs recorded as a deduction from credits are recorded in the income statement as interest income on the basis of an ALM depreciation simulation that takes into account the method of amortized cost.

The amortisation of the credits occurs on the expiry date or earlier in the event of a full or partial early repayment. If in the latter case, there is no reinvestment in a new credit, the received reinvestment payments are booked as realised capital gains. Not yet amortised assigned acquisition expenses are in such cases booked out in the profit-and-loss account in proportion to the amount repaid.

For the determination of the net profits and net losses:

- A distinction is made between interest rate margin and realised capital gains and losses;
- The results are not netted.

2.3.2 Non-performing loans and receivables

When there is an objective indication of non-recoverability, the outstanding loan is subject to an impairment test.

AXA Bank Europe makes use of a separate provision account, which reflects the impairment special depreciation, undergone by the underlying financial asset as a result of credit losses. This provision account also takes into account the impact of the time value.

Negative differences between the calculated recoverable amounts and the carrying amount are recognised in the income statement as an impairment loss.

The recoverable amount takes into account the time value of the funds, where the expected cash flows are updated at the contract's original actual interest rate. Each decrease in provision due to the time value is recognised in the income statement as interest yield.

Each increase due to a downswing is recognised through the addition for impairment accounts in the income statement.

Each decrease due to objective indicators that show that the recoverable amount increases as a result of an improvement in the assessed recoverable cash flow is accounted for through the write-back of impairments in the income statement account. However, it shall never lead to an amortised cost, which would be higher than the amortised cost if no impairment depreciation had taken place.

After the impairment was recorded booked the interest yield is recognised in the income statement on the basis of the actual interest of the underlying contracts.

The provisions are directly booked against the receivables if there is no possibility of recovery.

The **following rules apply to mortgage loans, investment credits and commercial accounts** (including cash credits):

The company combines collective and individual assessment.

Individual assessment is applied in two cases.

1. As soon as the "uncertain trend" status is determined, the impairment loss is booked on the basis of observational data from the past. This impairment loss is calculated individually on a statistical basis, taking into account the observed losses from the past and the probability of a return to the normal trend status or the transition to a questionable and uncollectable status.
2. From the uncollectable and questionable status the file is individually monitored and impairment loss is booked taking into account the development of the file and in particular the guarantees. These files are still valued on an individual basis, even if the guarantees are adequate. Each impairment is booked individually per file.

The normal trend portfolio is valued on a collective basis using latent indicators (the "losses incurred but not yet reported" model) and the company's expertise.

The **following rules apply** to instalment loans:

The company combines collective and individual assessment.

Individual assessment is applied in two cases.

1. As soon as the "uncertain trend" status is determined, impairment is booked on the basis of observational data from the past. This impairment is calculated individually on the basis of statistics, which take into account the probability of a return to the "normal trend" status or a transition to the "questionable and uncollectable" status, as well as on the basis of the aforementioned model and the company's experience.
2. From the "questionable and uncollectable" status, an individual assessment is applied, which still takes into account the aforementioned statistical approach.

The files are monitored individually and any remaining outstanding claims against the client are recognised as losses after final examination.

The normal trend portfolio is valued on a collective basis using latent indicators (see above model) and the company's expertise.

For private **current accounts and the budget + accounts** the following rules apply:

The company combines collective and individual assessment.

Individual assessment is applied in two cases.

1. In the uncertain trend status impairment is booked on the basis of observation data from the past. This impairment loss is calculated individually on a statistical basis, taking into account the observed losses from the past and the probability of a return to the normal trend status or the transition to a questionable and uncollectable status.
2. From the uncollectable and questionable status the bank proceeds to an individual assessment on the basis of the history of its observations and its expertise. The depreciation is booked individually, per file.

The portfolio with the normal trend status is valued on a collective basis by means of latent indicators (see above model) and the company's expertise.

For the determination of the net profits and net losses:

- A distinction is made between interest rate margin and realised capital gains and losses;
- The results are not netted.

2.3.3 *Loans and receivables – Forbearance measurements*

2.3.3.1 Definition of forbearance measures

Forborne exposures are debt contracts for which forbearance measures have been taken and for which the exit criteria are not fulfilled.

Forbearance measures consist of concessions towards a borrower facing or about to face financial difficulties. Forbearance measures can be taken only if there is a mutual agreement between the borrower and the bank on these measures.

Financial difficulties refer to the situation in which the debtor is considered to be unable to comply with the terms and conditions of a credit ("troubled debt"). Financial difficulties must always be assessed on a client level.

Concessions are changes in the modalities of a credit facility or a total or partial refinancing in favour of the borrower, which are granted, when the borrower is in financial difficulties. This favour wouldn't be granted if the debtor is not experiencing financial difficulties. Concessions may (and not must) entail a loss for the lender and typically imply a change in the terms and conditions of the credit contract.

Level of application of forbearance measures: Forbearance measures are to be applied always on facility level.

Probation period: Minimum period during which a facility has to be classified as forborne.

2.3.3.2 Policy and procedures: Decision on forbearance measure

Triggered by specific events, the bank's credit exposure on a borrower is reviewed. On that occasion, a risk assessment is made by experts who can be assisted by rating models. This assessment is ultimately submitted to the competent decision level. From the moment a concession will be or is granted to a borrower, following situations must be seen as important indicators that the borrower is in financial difficulties. The concession is thus to be classified as forbearance measure when:

a) The modified facility was totally or partially past-due by more than 30 days (without being in default) at least once during the three months prior to its modification or would be more than 30 days past-due, totally or partially, without modification.

b) Simultaneously, with or close in time to the granting of additional debt, the borrower made payments of principal or interest on another credit within ABE; that was totally or partially 30 days past due at least once during the three months prior to its refinancing.

c) The use of embedded forbearance clauses for borrowers who are 30 days past-due. Or who would be 30 days past-due without the exercise of these clauses.

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

2.3.3.3 Exit criteria from forbearance classification

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

a) The facility is considered as performing;

b) A minimum 2-year probation period has passed from the date the forborne facility was considered as performing or granted;

c) Regular payments of the full foreseen amount have been made during at least half of the probation period;

d) None of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

2.4 Treasury

2.4.1 Regular interbank investments and interbank deposits

The interbank investments and interbank deposits are initially recognised in the balance sheet on the availability date at fair value (i.e., the value at which the funds were provided or obtained).

The interest revenues and the interest expenses are recognised pro rata temporis in the income statement by making use of the effective interest rate method.

Amortisation takes place on the due date.

2.4.2 Structured investments and structured deposits

Structured investments and structured deposits means: investments and deposits with embedded derivatives in a contract.

In the case of structured investments and liabilities where the embedded derivatives are closely linked to economic characteristics and risks of the basic contract, they must not be set apart.

If the derivatives embedded in the contract due to the close connection between the economic features and the risks do not have to be separated from the basic contract, the same rating rules apply as mentioned above for regular interbank investments and deposits without impairment to the application of the following paragraphs.

In the case of structured investments and liabilities where the closed derivatives are not closely linked to economic characteristics and risks of the basic contract, they must be set apart in accordance with paragraph 11 of IAS 39.

In both cases, IAS 39 allows for the whole contract to be valued based on the fair value including the processing of value changes to the income statement on the condition that this classification leads to more relevant information because it eliminates or limits considerably inconsistency in the valuation of the inclusion (accounting mismatch) that would otherwise occur due to valuing of assets and liabilities or the inclusion of the profits and losses based on the different bases. The bank opts, on a case-by-case basis, to apply a fair value designation if a structured liability is fully covered by a derivative instrument but without the use of any hedge model.

Such investments and deposits are initially recognised at fair value in the balance sheet on the date they become available.

Next, the changes are included at their fair value in the income statement but split into an interest rate margin and a net difference when compared to the fair value. The changes in the fair value take into account any changes to the creditworthiness of the issuer (which is AXA Bank Europe in the case of liabilities).

Day one gains or losses should be deferred if the fair value was established on the basis of non-observable prices. This gain or loss must be written off over the term of the underlying instrument or until such time that observable prices are available. If material, day one gains and losses are deferred. This adjustment shall then be written off over the life of the underlying instrument or until the observable prices become available.

Amortisation takes place either on the due date or on the date of availability in the event of early repayment. In the latter situation the difference between the received/paid commission and the carrying amount is recognised in the income statement as a realised capital gains or loss.

2.4.3 Derivatives

Embedded derivatives

Derivatives embedded in basic contracts, which are valued at fair value and where the fair value differences are recognised in the income statement, are not separated.

Other derivatives

All other derivatives are recognised in the balance sheet at their fair value on the conclusion date.

Changes in fair value are recognised directly in the income statement, except for hedge accounting (see 2.4.4).

2.4.4 Hedge accounting

The following types of hedges are possible:

- Portfolio Interest Rate Fair Value Hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the interest rate risk of the underlying hedged instrument. The effectiveness of the hedge is checked periodically through prospective and retrospective testing

  During each effective period, the fair value change relating to the hedged risk of a reference amount is booked on the underlying financial instruments. This change in value is amortised. Under IFRS, amortisation may be recorded as soon as a change in value has occurred. Amortisation shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. AXA Bank Europe has decided to commence amortisation when the hedging ends. The change in existing accumulated value at the end of June is amortised via the income statement over the remaining term of the instrument. In the new model, the change in fair value recognised for the hedged risk is not amortised. Depreciation begins when the hedge stops. The deviation from fair value of the relevant derivatives is directly recognised in the income statement. During each ineffective period no fair value change is booked on the underlying financial instruments; The fair value change of the relevant derivatives is directly recognised in the income statement.

- - Micro Fair Value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of one or more financial risks of the underlying hedged instrument. The continued effectiveness of the hedge is checked periodically (prospective and retrospective testing).

  During each effective period the fair value change relating to the hedged risk is recorded for the financial instrument. These fair value changes are recognised directly in the income statement. The fair value change of the relevant derivatives is recognised directly in the income statement.

  Once the hedge ceases to be effective it is terminated and the value adjustments are written off in the event of debt instruments over the remaining term of the instrument by adjusting the effective actual rate.

- Cash Flow hedge is a relationship between derivatives and underlying financial instruments documented through a hedge of future cash flows of the underlying hedged instrument. The effectiveness of the hedge is checked periodically through prospective and retrospective testing

  During each effective period, the effective portion of the fair value change of the hedging instrument (derivative) is deferred in equity and the non-efficient portion is recognised in the income statement.

  Once the hedge ceases to be effective it is terminated. The deferred value changes remain deferred in the equity until the time that the expected future transaction takes place, after which it shall be accounted for symmetrically with the hedged risk in the income statement.

2.4.5 Repos and reverse repos

All repos and reverse repos satisfy the condition for being considered as financing transactions.

When entering reverse repos in the balance sheet the amounts paid are recorded as an investment with pledging of securities.

The rating rules are the same as those applied to regular interbank investments (see 2.4.1).

If, however, the underlying securities are sold, a liability is expressed in respect of the creditor of the collateral. This liability is valued at fair value.

Amortisation takes place on the due date.

When recognising repos in the balance sheet the amounts received are recognised as borrowings with securities collateral.

The rating rules are those applicable to regular interbank borrowings (deposits) (see 2.4.1).

For accounting purposes, the securities used as collateral under a repo are retained in the underlying securities portfolio. No accounting transfer takes place to another line item.

Amortisation takes place on the due date.

2.4.6 Securities investments and borrowings

The borrowing of securities is not coupled with accounting registration in the balance sheet.

When the borrowed security is sold, the same rules apply as for a reverse repo (see 2.4.5).

Securities investments are not coupled with accounting registration in the balance sheet, as the securities which were lent remain in the underlying securities portfolio for accounting purposes. There is no accounting transfer to another line.

2.4.7 General

For the determination of the net profits and net losses:

- A distinction is made between interest rate margin and realised capital gains and losses;
- The results are not netted.

2.5 Income from fee business and financial guarantees

2.5.1 Income from fee business

A distinction is made between two types of commissions and their recognition in the income statement takes place as follows:

- Commissions received for services are recognised on a pro-rated basis over the term of the services. Examples are reservation commissions for non-recognised credit line amounts, received from safe deposit boxes and management commissions.
- Commissions received for the performance of a specific task are recognised at the time the task is performed. Examples are commissions for the purchase and sale of securities and money transfers.

2.5.2 Financial guarantees provided

The initial recognition of financial guarantees provided in the balance sheet takes place on the contract date. It takes place at fair value, which typically corresponds to the received commission for the provision of the financial guarantee. If the premium received does not correspond to market practices, the difference with the fair value is included directly in the income statement.

For the present, the received premium is amortised pro rata temporis over the term of the contract. This takes place on a per-contract basis.

It is subsequently checked (on the portfolio basis) whether a provision is to be created for potential or certain execution. This provision is discounted if the impact is tangible.

Derecognition takes place at maturity date or in the event of execution. The provided guarantee shall be booked for the guaranteed amount, which was built up through the provision.

2.6 Equity

Equity components are assessed at cost.

Treasury shares are deducted from the equity at purchase price, including directly assignable incremental transaction expenses.

Dividends are deducted from equity when they become due.

2.7 Financial liabilities and bank deposits

(i) financial liabilities measured at amortised cost;

Operational debts are recognised in the balance sheet on the date they become available. They are assigned to the "Deposits and debts" rating category and valued at amortised cost.

Deposits and deposit certificates are initially recognised in the balance sheet at fair value (i.e., the amount of the obtained funding) on the date at which they are made available. They are also assigned to the “Deposits and debts” category and valued at amortised cost without impairment to the application of the subsequent paragraphs regarding structured obligations.

On each balance sheet date interest accrued during the period is recognised in the income statement on the basis of the effective interest method.

The effective interest rate is the interest rate that exactly discounts the future contractually specified cash flows until maturity, to the purchase price, taking into account premiums, discounts and impact of step-up and step-down coupons.

The acquisition commissions related to deposit certificates are not amortised on an individual basis through the effective interest rate, but debited monthly in the form of an outstanding debt commission (which does not differ materially from the approach to the effective interest rate per individual transaction) and spread over the contractual term as interest expenses.

Deposits and deposit certificates are amortised on the expiry date or earlier in the event of early repayment. In the latter case the difference between the paid commission (deducting any penalties) and the amortised cost outstanding at the time of repayment is recognised in the income statement as a realised capital gain or loss.

For the determination of the net profits and net losses:

- A distinction is made between interest rate margin and realised capital gains and losses;
- The results are not netted.

In the case of structured deposits and liabilities where the closed derivatives are closely linked to economic characteristics and risks of the basic contract, they must not be set apart.

In the case of structured deposits where the closed derivatives are not closely linked to economic characteristics and risks of the basic contract, they must be set apart in accordance with paragraph 11 of IAS 39.

In both cases, IAS 39 allows for the whole contract to be valued based on the fair value including the processing of value changes in the income statement on the condition that this classification leads to more relevant information because it eliminates or limits inconsistency considerably in the valuation of the inclusion (accounting mismatch) that would otherwise occur due to the valuing of assets and liabilities or from the inclusion of the profits and losses with regard to this based on different rules. The bank opts, on a case-by-case basis, to apply a fair value designation if a structured liability is fully covered by a derivative instrument but without the use of any hedge model.

(ii) Liabilities designated at fair value through profit or loss

This classification is used at the AXA Bank Europe Group in both of the following cases:

1) The classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules.

2) If it involves structured certificates, where no close link exists between economic features and risks of the derivative decided in the contract and economic features and risks of the basic contract.

The indication is permitted under paragraph 11A of IAS 39.

This indication is not possible :

- Where the derivative(s) determined in a contract do not lead to a major change in cash flows, which would otherwise be required by the contract;

- where, after a swift or no analysis, when a similar hybrid (composed) instrument is considered for the first time, it is clear that the separation of the derivative(s) embedded in a contract is not permitted. For instance, a prepayment option embedded in a loan that permits the holder to repay the loan prematurely, approximately at amortized cost.

At AXA Bank Europe, it is mainly EMTN (European Medium Term Note) certificates issued by the AXA Belgium Finance subsidiary.

After initial recognition, no reclassification is possible within or outside of this category.

For the determination of net profits and net losses:

- a distinction is made between interest rate margin and changes in value due to changes in fair value
- no distinction is made between capital gains / losses and rating profits and losses;

Such investments and deposits are initially recognised at fair value in the balance sheet on the date they become available.

Next, the changes are included at their fair value in the income statement. The changes in fair value take into account the effect of the change in the creditworthiness of AXA Bank Europe.

The fair value at acquisition of a financial instrument is usually the transaction price agreed. However, if AXA Bank Europe considers that the fair value is different from this transaction price and if the fair value was determined by unobservable elements, these are deferred by day 1 changes. This change must then be amortized over the term of the underlying instrument or until the time when observable prices are available.

Amortisation takes place on the due date or on the date of availability in the event of early repayment. In the latter situation, the difference between the received/paid commission and the carrying amount is recognised in the income statement as a realised capital gains or loss.

2.8 Foreign currency translation

The presentation currency of the AXA Bank Europe Group is the euro. The functional currency is the euro for the head office and branches located in the eurozone. Currently, the local currency is used as the functional currency for the branches that are located outside the eurozone.

2.8.1 Determination of the functional currency

The functional currency for a branch that is located outside the eurozone is determined on the basis of the primary economic environment in which an entity operates. This is typically the primary environment in which it generates and issues funds. Hereby account is taken of the following factors:
(a) The currency:
(i) which essentially determines the sale price of goods and services, and
(ii) of the country where the competition and regulations primarily determine the sales price of its goods and services.
(b) The currency, which essentially determines labour and material costs, and other costs for the delivery of goods and the provision of services.

2.8.2 Conversion of a functional currency into a presentation currency

The results and financial status of a foreign branch in which the functional currency is not the euro are converted into euros on the following basis:
(a) Assets and commitments are converted for each balance sheet presented (i.e. including comparative figures) at the closing price on the balance sheet date.
(b) Profits and losses are converted for each income statement (i.e., including comparative figures) at an average exchange rate.
(c) All resulting currency rates are recognised as a separate equity component.

2.8.3 Conversion of monetary components into functional currency

Monetary components are currency units held as well as assets and liabilities which must be received or paid in a fixed number or a number to be determined of currency units. This concerns in particular fixed rate securities, loans and accounts receivable as well as the deposits and debts.

When recognised in the balance sheet, monetary components in foreign currency are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

Each month a monetary rating process takes place on the basis of the balance, where the total outstanding monetary balance in foreign currency is converted at the closing rate. All positive and negative differences are recognised in the income statement, regardless of the rating category to which the monetary components belong.

At amortisation, monetary components in foreign currency are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

2.8.4 Conversion of non-monetary components into functional currency

Non-monetary components are components other than monetary ones. This primarily involves non-fixed income securities.

When recognised in the balance sheet, non-monetary components in foreign currency are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

The periodic non-monetary rerating process differs depending on the rating category:

a) For non-monetary components valued at cost, once the conversion into euros has taken place, this value in euros is maintained until derecognised from the balance sheet.

b) For non-monetary components belonging to the valuation categories “assets and liabilities held for trading” or “designated at fair value through profit or loss”, a regular revaluation of the fair value applies, which consists of two components: the fair value difference and the foreign exchange result. Both components are recognised in the income statement.

c) For non-monetary components belonging to the rating category “Assets available for sale”, the periodic revaluation to fair value consists of two components: the fair value difference and the foreign exchange result. Both components are deferred in equity. If a negative revaluation must be booked as an impairment, both components will be transferred from equity to the income statement.

Upon derecognition, non-monetary components in foreign currencies are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.

2.9 Contingent assets and liabilities

2.9.1 Contingent assets and liabilities

Contingent assets are not recognised in the balance sheet; Rather, they are included in the disclosure if an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the balance sheet; they are however included in the disclosure, except in the very unlikely event of the possibility of an outflow of means including economic advantages .

2.9.2 Provisions

Provisions are only created if a liability exists as a result of a past event that can be reliably assessed and where a provision is necessary for a likely expense.

The existing liability can be either legally enforceable or be an actual liability.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties and any future events; they are discounted if the impact of the time value is material.

Compensation to be received in connection with the provisions made are recorded as assets.

On each balance sheet date provisions are reassessed and adjusted, either to take into account the time value (developed through financial expenses), or to increase it (failing adequate provisions) or to reverse it (in the event of surplus provisions).

The provision shall only be used for the expenditure for which it was created.

2.10 Employee benefits

Employee benefits are accounted for in the income statement in the year in which the services were provided.

For short-term employee benefits, which are paid within one year of closing date such as salaries, social security payments, sick leave, holiday pay and bonuses, provisions are created that are not discounted.

For long-term employee benefits not including benefit plans, such as career breaks, bonuses for 25/35 years of service, bonuses or other remuneration, only paid more than one year following the closing date, the calculation of cash value of gross liabilities applies; The actuarial differences as a result of the periodic revision of valuations and assumptions are recognised directly in the income statement.

At AXA, pension plans fall under the defined benefit plan category.

The amount recognised as a net liability on the basis of defined benefit rights consists of the net total of the following amounts:

(a) Cash value of gross liability on the basis of allocated pension rights as at the balance sheet date, where the "projected unit credit" method is used;
(b) Less the fair value on the balance sheet date of any fund investments from which the liabilities must be settled directly.

The latter fund investments can involve both assets and insurance contracts.

Assumptions and estimates are periodically revised and adjusted.

Profits or losses on the major curtailment or settlement of an allocated pension regulation are recognised at the time the curtailment or settlement takes place.

Redundancy payments, including early retirement, are only recognised upon acquiring legal effect with regard to third parties. Discounting is also applied if the payment is more than one year from the balance sheet date.

2.11 Income tax expense

2.11.1 Current taxes

Taxes due and tax refunds receivable over the current reporting period relating to current and previous periods are recognised as a liability, provided as they have not yet been paid.

If the amount already paid, with respect to current and previous periods, is greater than the amount owed for these periods, the balance is recognised as an asset.

2.11.2 Deferred taxes

Deferred tax debts are booked in the balance sheet for all temporarily taxable differences. They are created:

- Through the income statement if the underlying temporary difference is also recognised through the income statement.
- Through equity if the underlying temporary difference is also recognised through equity

Deferred tax assets related to tax losses carried forward for transferable tax credit are only booked in the balance sheet if the temporary differences can be settled in accordance with local tax legislation.

Other deferred tax assets are always booked in the balance sheet since it is assumed that these temporary differences shall always be able to be recuperated.

At each closing date, the recoverability of the deferred tax asset is assessed. If the deferred tax asset cannot be recovered, impairment is accounted for. This impairment is reassessed at each closing date and adjusted, if needed, if additional information on the recoverability is obtained.

For accounting purposes netting takes place between deferred tax assets and deferred tax liabilities only inasmuch as the nature of the tax expense and the expiry date are similar for each fiscal entity.

For presentation purposes, netting between deferred tax assets and deferred tax liabilities occurs per fiscal entity.

The outstanding balance of the deferred tax assets or deferred tax liabilities is periodically revalued to take into account the changes in tax rates and/or tax legislation of the fiscal entity.

Assets or liabilities as a result of tax on profits are not discounted.

2.11.3 Estimate of deferred taxes

- Estimate of deferred tax

The following distinction is made with regard to deferred taxes and their recoverability

- *Deferred tax through Other* Comprehensive *Income*

These tax assets are booked on:

- Adjustments with regard to the actuarial assumptions used for the calculation of the provisions related to pension schemes
- The valuation results on derivatives used for cash flow hedging
- The valuation results on securities that are classified under the "available for sale" category

Generally, AXA Bank Europe does not expect to incur such losses on securities in the future since the strategy applied usually results in these securities being held in the portfolio until their maturity date. AXA has been anticipating expected IFRS changes and Basel III rules and has been taking a volatile market into account for a few years and, therefore, the management of this "available for sale" portfolio is driven, in these cases, by following a different strategy. Deferred tax is only entered for this category to the degree in which a larger or equal deferred tax liability is entered with regard to this portfolio that is also linked to the same underlying portfolio and to the same period.

As no impairment is noted on the receivable, no credit losses on debt instruments are expected. Therefore, the receivable is considered as fully recoverable.

- *Deferred tax as a result of a difference in the timing of accounts being processed (including losses).*

A deferred tax asset is recognised insofar as future accounting profits will be available to both recuperate the deferred tax asset and for the unused tax offsettable credit balance.

The net deferred tax position through income amounts to EUR 54,292 million as of 31-12-2014.

The following Belgian tax profits are available based on the forecast performed by AXA Bank Europe on the basis of a time horizon of 5 years.

2.12 Property, plant and equipment and Intangible assets

2.12.1 Property, plant and equipment

There is no capitalisation of tangible fixed assets secured under an operating lease and rental expenses are accounted for on a linear basis and included in the income statement over the term of the lease.

The initial recognition of tangible fixed assets obtained under a financial lease takes place for the fair and cash value of the minimum lease payments. Initially directly assignable expenses related to the acquisition are also capitalised. Financing expenses are recognised in the income statement on the basis of the implicit interest rate.

The initial recognition of tangible fixed assets acquired takes place at purchase value plus any additional attributable expense and directly attributable transaction costs. Financing expenses during the construction period are capitalised, if material.

Subsequent measurement takes place at amortised cost, which takes into account amortisation and periodic impairment testing.

For the depreciation, the residual value and the useful economic service life is taken into account.. Typically, the depreciation of buildings must take into account the “component approach”. Due to the principle of immateriality on the one hand and in order to, on the other hand, also take into account the accounting policies imposed by the parent company, AXA Bank Europe has decided not to apply the component split for the time being.

On each reporting date, the impairment test for buildings and land compares the cost after deduction of any depreciation accounted for with the value in use determined on the basis of an independent survey:

- If the unrealised loss is less than 15%, no special impairment depreciation is booked.
- If the unrealised loss is more than 15% the “discounted future cash flow” method is applied

If the value based on the discounted future cash flow is lower than the carrying amount, an impairment is booked for an amount equal to the difference between:

- The cost price after deduction of the recorded depreciation;
- the higher value of the independent surveys and the value based on discounted future cash flow.

After an impairment loss is recognised for a building, its outstanding amortisation table is adjusted.

If subsequently, the independent survey is more than 15% higher than the net carrying amount, the impairment is reversed for an amount corresponding to the difference between:

- The net carrying amount;
- The lowest of the independent assessment and the cost after deducting the depreciation recorded (calculated on the basis of the existing depreciation table for depreciation), with a maximum amount of for the previously booked value correction.

Subsequently the outstanding amortisation table is adjusted.

Tangible fixed assets held for sale are valued at the lowest carrying amount (cost minus previously booked depreciations) and the fair value less selling costs.

Such tangible fixed assets are no longer amortised and are presented separately on the balance sheet.

The linear depreciation method is used.

Depreciation booked during the financial year according to their economic life expectancy.

Assets	L Method (linear)	Depreciation percentage Capital Min. - Max.
Land for own use	N/A	-
Buildings for own use	L	3%
Building design	L	10%
IT equipment	L	20%
Furniture, facilities	L	10%
Non-IT machines rolling equipment	L	20%

2.12.2 Intangible fixed assets

Set-up costs are directly recognised in the income statement, unless they can be identified as transaction costs for assets or liabilities

Purchased intangible assets, which satisfy the recognition criteria (future economic benefits and reliable measurement) and of which the useful life exceeds a year, are accounted for at purchase value, including additional expenses and directly attributable transaction costs. Software for which an annual license is paid is not capitalised.

The intangible assets are amortised on a linear basis over their economic life.

In the event of internally generated software, an intangible asset resulting from the development (or out of the development phase of an internal project) is recognised if and only if all conditions below are met:

(a) Technical feasibility to complete the intangible asset, so as to make it available for use

(b) Intention to complete and use the intangible asset

(c) Capacity to use the intangible asset

(d) How the intangible asset is likely to generate future economic benefits

(e) Availability of adequate technical, financial and other means to complete the development and use the intangible asset

(f) Capacity to reliably evaluate expenses attributable to the intangible asset during its development

Costs that do not meet these criteria as well as research costs are not capitalised.

- Research phase: activities aimed at obtaining new knowledge; ; the search for applications or research findings or other knowledge; the search for alternatives for materials, devices, products, processes, systems or services;formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

- Development phase: the design, construction and testing of pre-production or pre-use prototypes and models; the design of tools, moulds and templates involving a new technology; the design, construction and operation of a pilot plant that is not built on an economically feasible scale for commercial production; the design, construction and testing of a chosen alternative for new or improved materials, devices, products, systems, processes or services.

Intangible fixed assets are subject to an impairment test.
• AXA assesses at each balance sheet date whether there is an indication of impairment. If such an indication exists, the bank shall estimate the recoverable amount of the asset. This amount is the highest of the fair value minus costs to sell or the value in use of the asset.
• If the recoverable amount of the asset is lower than the carrying amount, an impairment is booked for this difference.
• If there is an indication that an asset should be impaired, the recoverable amount of the asset shall be estimated. If it is impossible to estimate the recoverable amount of the asset, an entity must determine the recoverable amount of the cash-generating unit to which the asset belongs.
• Regardless of whether there is an indication of impairment, intangible assets with indefinite useful life must be tested annually for impairment. The test takes place by comparing the carrying amount with its recoverable amount. This rule also applies to assets that are not yet in use at balance sheet date.

The linear depreciation method is used, at 20% per year.

Depreciation booked during the financial year according to their economic life expectancy.

Assets	L Method (linear)	Depreciation percentage
		Capital Min. - Max.
Set-up expenses entered in the income statement in the financial year in which they were spent		
Software for own use, purchased from third parties	L	10% - 20%
Software internally developed	L	10% - 20%

2.13 Other assets and liabilities

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

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

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

2.14 Supplementary information

2.14.1 Events after the balance sheet date

Events after the balance sheet date that show circumstances that existed at the balance sheet date (for example, additional information about already-made estimates), will require an adjustment to the financial statements, if material.

Events after the balance sheet date that show circumstances that were created after the balance sheet date (for example, evolution of the dollar or the fair value of securities), will not require an adjustment to the balance sheet, the income statement, the changes in equity or cash flow statement. However, if material, information is provided on the nature and estimated financial impact in order to prevent the financial statements from being misleading.

2.14.2 Interim financial reporting

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

2.14.3 Changes in accounting policies and accounting estimates

When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate in accordance with IAS 8, paragraph 35

A change in estimate is applied prospectively. Inasmuch as a change in estimate leads to changes in assets and liabilities, or relates to a component of the equity, this change is settled in the period in which the change has taken place, by changing the carrying amount of the relevant asset, the relevant liability or the relevant component of the equity.

Any change in the accounting policy must be applied retroactively.

If it is not feasible to determine the consequences of a change in a financial reporting policy on comparative information for one or more previous reporting periods, the new financial reporting policy is applied on the carrying amount of assets and liabilities from the start of the earliest period (the earliest period can be the reporting period) for which retroactive application is possible. For this period, the initial balance for each relevant component of the equity is adjusted accordingly.

If it is not feasible to determine the cumulative effect, at the beginning of the reporting period, of the application of a new accounting policy on all previous reporting periods, the comparative information is adjusted to apply the new financial reporting policy prospectively from the earliest time at which it is practically feasible.

In such cases additional relevant documentation is provided in the explanatory notes.

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Description of classifications in IFRS:

- Assets and liabilities held for trading:

Includes assets and liabilities with a view to short-term gains, as well as all derivatives, unless they were identified as effective hedge derivatives; the changes in fair value are recognised in the income statement.

- Financial assets and liabilities designated at fair value through profit or loss (fair value option):

Includes related assets and liabilities, valued at fair value, in order to prevent or limit an accounting mismatch; this rating also applies to financial instruments with embedded derivatives; changes in fair value are recognized in the income statement.

- Financial assets held to maturity:

All non-derivative financial assets with a fixed maturity date and fixed or definable payments where the intention exists, as well as the financial possibility to be held until maturity; they are measured at amortized cost.

- Loans and receivables

All non-derivative financial assets with fixed or definable payments that are not quoted in an active market; ; they are measured at amortized cost.

- Financial assets available for sale:

All non-derivative financial assets that do not belong to one of the previous categories;they are valued at fair value where all fair value fluctuations are recognised in the Shareholders' equity until realisation of the assets or until the time that depreciation occurs. In that case the cumulative rerating results are recognised in the income statement.

- Deposits and liabilities:

All non-derivative financial liabilities that do not belong to one of the previous categories; they are valued at amortised cost.

- Property, plant and equipment kept for sale:

Property, plant and equipment which are likely to be sold. They are valued at the lower value of carrying amount or the fair value minus the sales costs, respectively.

3 Application of IFRS by AXA Bank Europe

General AXA Bank's consolidated financial statements were drawn up in compliance with IFRS – including the International Accounting Standards (IAS) and Interpretations - at 31 December 2014 as accepted within the European Union.

Accounting policies that are not specifically mentioned comply with the IFRS as accepted within the European Union.

3.1 Application dates

An overview is provided below of the impact of changes with regard to the IFRS standards. Any reference to the group should be read as the consolidation scope of AXA Bank Europe, whose parent company is AXA Bank Europe.

Standards, amendments to published, standards and interpretations applicable on 1 January 2015

- The amendment to IAS 19 – *Employee benefits*, published in November 2013 and applicable from the first year starting on or after 1 July 2014, relates to contributions by employees or third parties in the defined pension benefit plans. If employee or third-party contributions are linked to the years of employment, these contributions decrease the pension expense as follows:
  (a) if the amount of the contributions depends on the number of years of employment, an entity for the allocation of contributions to service periods must apply the same calculation method as prescribed for the allocation of gross remuneration (i.e. either the benefit formula of the plan or a linear method); or
  (b) if the amount of contributions does not depend on the number of years of employment, the entity may include these amounts as a reduction of the pension costs in the period in which the related services are performed.
  This amendment has been applied since 1 January 2015.

- IFRIC 21 – *Levies*, an interpretation on levies imposed by the government was published on 20 May 2013. The interpretation states that an activity that triggers the payment of the levy, in accordance with the relevant legislation, must be seen as a "levy obligating event".
  In June 2014 the European Union ratified this interpretation and decided that it had to be applied to annual periods starting on or after 17 June 2014, in which early adoption is permitted. Consequently, the Group chose 1 January 2015 as the date of application. The rules relating to the impact on the interim financial report are not applicable to the Group as it is not required to apply IAS34 Interim Financial Reporting. The decision was taken that the following levies are included in the scope of this interpretation: subscription tax, tax on credit institutions, the contribution to the resolution fund (both Belgian and European) and the contribution to the deposit guarantee scheme. However, this IFRIC does not impact AXA Bank Europe as it does not have any obligation to draft an interim report

The following minor announcements were also published in the context of the annual improvement projects:

The amendments to the 2010-2012 cycle (published in December 2013 and applicable to the group since 1 January 2015) only have a minimum impact on the consolidated financial statements of the Group for 2015.

The following elements are included in this publication:

In IFRS 2 – *on share-based payments,* the definitions of "vesting condition" and market condition have been amended. New definitions were also introduced around performance condition and service condition.

In IFRS 3 – *business combinations*, clarifications have been made that a contingent consideration should be valued against the fair value at the end of the reporting period. No impact on the consolidated financial statements of the group.

In IFRS 8 – *operating segments*, clarifications have been made in connection with the notes to be stated of the criteria used for the aggregation of operating segments and the reconciliation between the segment assets and total assets. No impact on the consolidated financial statements of the group because the presentation of segment assets is not required for the group (no quantitative limits are reached).

In IFRS 13 – *fair value measurement*, it has been clarified that amendments to IFRS 9 and IAS 39 relating to financial assets and liabilities with no short term interest will not amend the possibility of using the nominal value if the discounting effect is immaterial.

In IAS 16 – *Property, Plant and Equipment* and IAS 38 – *intangible assets,* amendments have been made to the revaluation model. No impact on the consolidated financial statements of the group due to the application of the cost model.

IAS 24 – *Related Party Disclosures* clarifies that an entity that offers a key management service to the reporting entity or the parent company of the reporting entity is a related party.

The following elements are included in this publication:

IFRS 1 – *first-time adoption of IFRS* clarification of what "Effective IFRSs" entails. No impact on the consolidated financial statements of the group.

IFRS 3 – *business combinations* clarifies that the formation of a joint arrangement in the financial statements of the joint arrangement falls outside the scope of IFRS 3.
No impact on the consolidated financial statements of the group.

IFRS 13 – *fair value measurement* clarifies that the exception of article 52 relates to all contracts within the scope of IFRS 9 and IAS 39 and therefore not only those that fulfil the definition of a financial asset or financial liability.

IAS 40 – *Investment property* clarifies that IFRS 3 and IAS 40 should be considered independently of each other to see whether an acquisition of real estate falls under IFRS 3 or is an investment property. No impact on the consolidated financial statements of the group

Published but not yet applicable standards, amendments and interpretations:

- IFRS 9 – *Financial instruments* was published as a final version on 24 July 2014 and includes the different components of the three phases.

  The first phase relates to the classification and measurement of financial instruments. An initial publication on 12 November 2009 introduced the rules for financial assets. Here the requirement is to classify financial assets based on the business model in which they are held and based on the characteristics of the contractual provisions' cash flows. A second publication on 28 October 2010 introduced the rules for financial liabilities. The majority of rules were carried over from IAS 39, but some new requirements were set in case the option was taken to value the financial liabilities at fair value with fair value changes in the income statement. Here the difference in fair value is due to the change in the credit risk included in the equity (under other comprehensive income). The latter rule was published on 19 November 2013 eligible for early adoption. On 24 July 2014 a number of additional amendments were published in connection with the financial assets, which allowed a third measurement criteria for some simple liability instruments if the business model is aimed at a combination to receive contractual cash flows and sell financial assets. The changes to fair value were included in equity in this category (under other comprehensive income).

  The second phase, last published on 24 July 2014, relates to a new method for calculating impairment on financial assets and credit commitment. The calculations made in this method are realised based on expected credit losses and therefore no longer on incurred credit losses. In addition, the method must be applied in the same way on loans and fixed income securities. Therefore, clauses should be included (from the first recording) for expected credit losses as well as (after first recording) changes to the expected credit losses.

  The third phase, published on 19 November 2013, relates to general hedge accounting rules. The specific rules for open portfolios and macro hedging are still in a project phase. The requirements for these new hedge accounting rules are a more principle-based approach and are better in line with risk management practices.

It is clear that this IFRS will have a serious impact on the financial statement of the Group. The transition to the expected credit losses model will particularly entail a major change in reporting on value adjustments to loans and fixed-income securities. The requirement to take account of the "lifetime expected credit losses" with a significant increase of the credit risk since the initial recording, these being the expected credit losses across the entire lifetime of the credit instrument (loan or fixed income security) instead of 1 year at the initial recording, is expected to particularly entail a major increase in the amount of the impairments.

- IFRS 9 - In December 2015, workshops were organised to perform a first high level gap analysis. A Governance set-up was established.
  Members of the steering committee have been elected. Steering will be held on a monthly basis.
  Five streams have been identified: Classification & measurement, impairment, accounting IT, Financial reporting and hedge accounting. A stream committee will meet weekly.
  The classification and measurement stream is expected to be documented by the end of June 2016, the impairment stream is expected to be implemented by the end of June 2017, the accounting IT stream implementation starts at the end of June 2016 and is expected to be completed by the end of June 2017 with a parallel run during the last semester. The financial reporting stream will start beginning of September 2016 and expected to be implemented by the end of September 2017.
  As a result of the gap analysis, we expect an additional GAAP to manage as AXA Group will probably remain under IAS 39.
  At the level of classification and measurement it is expected that investment portfolio will be classified as hold to collect and sell. Also the loan retail business is expected to be classified as hold to collect.
  A strong modelling impact is expected in the impairment stream.

- IFRS 14 – *"Regulatory Deferral Accounts"*, published on 30 January 2014 and applicable since 1 January 2016, is only (optionally) applicable to entities which apply IFRSs for the first time and therefore has no impact on the consolidated financial statements of the group.

- IFRS 15 – *"Revenue from Contracts with Customers"*, published on 28 May 2014, originally effective since 1 January 2017, but amended in 2015 with an effective date of 1 January 2018 includes a five-step model to determine when revenue should be recognised.
  - Step 1 = Identify the contract with the customer
  - Step 2 = Identify the performance obligations in the contract
  - Step 3 = Determine the transaction price
  - Step 4 = Allocate the transaction price to the performance obligations in the contract
  - Step 5 = Recognise revenue when (or as) the entity satisfies a performance obligation

  This IFRS is expected to have a minimal impact on the consolidated financial statements of the Group.

The following minor amendments were also published in 2014 and are applicable since 1 January 2016:

- Amendments to IFRS 11 – *Joint arrangements*, "Accounting for Acquisitions of Interests in Joint Operations" (published on 6 May 2014). These will have no impact on the consolidated financial statements of the Group.
- Amendments to IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible assets*, "Clarification of Acceptable Methods of Depreciation and Amortisation" (published on 12 May 2014). These amendments are expected to have a very limited impact on the consolidated financial statements of the Group.
- Amendments to IAS 16 – *Property, Plant and Equipment* and IAS 41 – *Agriculture*, "Agriculture – Bearer Plants" (published on 30 June 2014). These will have no impact on the consolidated financial statements of the Group.
- Amendments to IAS 27 – *Separate Financial Statements*, "Equity Method in Separate Financial Statements" (published on 12 August 2014). These will have no impact on the consolidated financial statements of the Group.
- Amendments to IAS 1 – *Presentation of Financial Statements,* "Disclosure Initiative" (published on 18 December 2014). These amendments are expected to have a very limited impact on the consolidated financial statements of the Group.
- Amendments of the 2012-2014 cycle (published on 25 September 2014 and applicable to the Group since 1 January 2016). A minimal impact is expected on the consolidated financial statements of the Group in 2016.

IFRS 5 – *Non-current assets held for sale and discontinued operations* gives no additional explanation when an entity should reclassify an asset held for sale as held for distribution or vice versa and also indicates cases in which the processing as held for distribution should be stopped.

IFRS 7 – *financial instruments: disclosures* provides additional information to determine whether a management contract is continuing involvement in a transferred asset, and also clarification in the netting notes in the abbreviated interim reporting.

IAS 19 – *Employee benefits* clarifies that the high-quality corporate bonds used for estimating the discount rate for post-employment benefits must be in the same transaction currency as those of the fees to be paid.

IAS 34 – *Interim financial reporting* clarifies the meaning of “elsewhere in the financial reporting” and requires a cross-reference.

4 Risk Management

4.1 General

In 2015, AXA Bank Europe continued to develop coherent and prudent risk management. It has broadly implemented robust strategies, policies, processes and systems for identifying, measuring, managing and monitoring its risks.

AXA Bank Europe has continuously adapted risk management policies in order to stay on track in a constantly changing environment.

Following the financial crisis, the Basel Committee considerably tightened solvency and liquidity requirements for banks. In terms of solvency, stricter rules are now applied for raising equity. We are witnessing a gradual increase of the minimum solvency requirements and a minimum leverage ratio, which is the carry between Shareholders' equity (Tier 1) and the balance sheet total.

In 2015, consultation was implemented on a regular basis with relevant controllers. The European Central Bank (ECB) is the competent authority for prudential supervision of AXA Bank Europe.
AXA Bank Europe took part in a supervisory review and evaluation process under the lead of the ECB conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 and on the information available on 31 December 2014 and any other relevant information received after that date.
The ECB concludes that AXA Bank Europe broadly has is place sound, effective and complete strategies and processes for assessing, maintaining and distributing internal capital . This capital is broadly adequate to cover the nature and level of risks to which the bank is or might be exposed .The bank's liquidity buffer broadly provides sufficient coverage of liquidity risks.
.
In their Supervisory Review and Evaluation Process (SREP), the ECB have concluded to a low absolute level of risk in the bank, leading to a decrease of the pillar 2 capital add-on, while encouraging ABE to further strengthen the risk framework and governance.

AXA Bank Europe has further improved and developed the recovery plan and the related governance. The ECB and NBB have welcomed the work and have confirmed that there are no material deficiencies.

AXA Bank Europe took part in the ECB's 2014 Asset Quality Review. This exercise led, among other things, to elaborating qualitative recommendations. These were dealt with as a whole in 2015.

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<u>Risk appetite</u>

The permanent identification and quantification of material risks of the Bank are central elements of the AXA Bank Europe's risk policy. These risks are measured, limited and subject to constant monitoring through the deployment of an internal risk appetite framework. In this context, the Bank's risk appetite is translated into functional coverage limits and procedures. The Board of Directors of AXA Bank Europe makes strategic risk decisions and also determines the overall risk appetite. AXA Bank Europe's risk appetite is integrated into AXA Bank Europe's strategic plan process.
All the bank's material risks are covered through the process and are monitored by one of the risk committees of AXA Bank Europe. These risks are subject to an economic capital model with forecasts at different horizons. Economic capital is then allocated provisionally in respect to all activities of the Bank on the basis of the risk objectives of AXA Bank Europe. The AXA Bank Europe's board imposes a limit on the total economic capital consumption in order to ensure that AXA Bank Europe has sufficient amount of available financial resources on an on-going basis. Moreover, the Bank plans its future regulatory solvency requirements over the horizon of the Bank's business plan. The projected solvency must be sufficient in order to achieve the bank's strategic objectives while fully taken into account new and existing regulations to meet regulatory solvency requirements.

AXA Bank Europe also uses a liquidity framework that is based on internal and regulatory indicators. It is in this context that the Bank projects future liquidity needs. The Bank's appetite for liquidity risk is expressed as a buffer above the internal and regulatory liquidity indicators.

The following sections focus on the major categories of risk of AXA Bank Europe in 2015, i.e. credit, market, liquidity, operational and strategic risks. All these risks exert a potential impact on the Bank's objectives in terms of solvency, liquidity and profitability.

4.2 Credit risk

Credit risk is the risk of losses due to failure of performance or deterioration of the credit quality of counterparties in credit activities.

AXA Bank Europe's main core activity consists in a pure retail banking business meaning collecting funding (daily operations, savings products) and providing loans to its customers namely households or professionals and small businesses (max 2M€ balance sheet) through its network of independent agents. The majority of the bank's credit risk results from this business which includes on and off-balance sheet items, such as the undrawn parts of credit lines.

The loan-to-deposit ratio was at the end of 2015 close to 100%.

AXA Bank Europe has also transformed part of its retail mortgage loans into RMBS of which part is transformed into covered bonds sell in wholesale market which allows comfortable buffer in term of liquidity. Part of this liquidity is allocated to an investment portfolio with a low credit risk profile. (cfr. Section 4.2.2)
Another credit risk source is the derivatives business executed to support the AXA Group's activities and also the management of repo/reverse repo activities for the AXA group.

4.2.1 Retail credit risk

AXA Bank Europe is exposed to credit risk because of a credit activity to Belgian retail customers as well as because of a mortgage activity in Hungary.

Retail credit risk in Belgium

Risks related to AXA Bank Europe's retail loan portfolio in Belgium concern mortgages, consumer credits and business credits, with a preponderance for mortgage loans (with a share of nearly 87 % of the total outstanding amounts).

The mortgage loan portfolio had a net growth of over 715 million euros backed by significant production and excellent quality but partially offset by a high volume of refinancing in the Belgian market.
For the consumer loan portfolio as well as for the credit portfolio to independents, we observe a decrease of 65 million (consumer loans) and 39 million (professional credits) related to insufficient production to offset the natural erosion of the portfolio.

Given good cover and low probability of default of this financing, the risk profile of the total credit portfolio is very low.
Credit losses totalled EUR 19.7 million euros in 2015, against 22.2 million EUR in 2014. Approximately 3.85 million EUR of the credit losses in 2015 are linked to changes in the default definition. These changes were applied in order to align the default definition with the most recent changes in European legislation.

Risk management includes comprehensive reporting on risk factors in the Belgian retail credit portfolio which enables managers to have a thorough understanding of developments in risk.

The Bank uses an advanced model based on internal ratings (IRBA) for its Belgian loans portfolio. Internal rating models are developed for this purpose. Apart from calculating requirements for minimum capital, they are also used for acceptance, retail credit management and calculating provisions.

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. Moreover, Risk management set up in 2015 a risk-adjusted return on capital (RAROC) framework for mortgage lending activity. This RAROC framework is become an essential element in the profitability analysis of this activity.

An essential part of the credit risk policy is formed by the Bank Collection Department. The department adopts measures to minimize the bank's risk depending on the nature and severity of the problem. Moreover, the department determines the amount of monthly provisions to make for write-downs.

We witnessed overall recovering of the observed default rates[1] (over a one year horizon) in the Belgian portfolio which evidences the quality reinforcement and improved product mix of credits in Belgium.
The 12M default rate for mortgage loans decreased from 0.9% in Dec 2014 to 0.8% observed in Dec 2015. The vintages on the new production are still decreasing and therefore it is expected that this decreasing trend continues when economic conditions remain unchanged.
The 12M default rate for loans to professionals and small businesses dropped from 2.20% observed in Dec 2014 to 1.86% in Dec 2015 reflecting the defensive approach of recent years.
Also for consumer loans a decrease in the 12M default rate is observed (from 1.57% in Dec 2014 to 1.31% in Dec 2015) thanks to a better risk selection and an evolution of the product mix to loans with a particular purpose.

Credit risk for Hungary

Based on a law voted in 2014, in March 2015, the FX mortgage portfolio was transformed into a HUF mortgage portfolio. This transformation had no cost in 2015 because the impact was already provisioned in 2014. With regards to the P&L impact for cost of risk, the P&L was positive for 2015, +24.9 million € that comes from:

- +7.3 million € for provisions release of the Conversion law.
- Provisions stock decreased by 30 million € which has a positive P&L impact of +17.6 million €. Payment behaviour improved due to lower monthly instalments (fair banking law effect) and real estate market started to recover, meaning that collateralisation also improved.

.All in all, the effect of the conversion law combined with the run off of the mortgage portfolio since 2011 lead to a decrease of the (gross) credit portfolio of -21.41% in 2015 and only amounts 818 million € at 31 December 2015.

The FX risk supported by our customers was totally removed and in combination with the run off, this translates to a 12 months default rate of 5.79% at the end of 2014 to 2.97% at the end of 2015.

As in previous years, management has focused on the development of various settlements for customer receivables with a positive result demonstrating again the adequacy of its provisioning levels.

The NPL ratio has increased to 27.86% (22.28% in 2014) due to the faster decrease of performing portfolio against the non performing one. The provision rate rose to 17.36% (16.52% in 2014) due to the higher weight of the non-performing portfolio.

4.2.2 Non-retail credit and concentration risk

The Wholesale risk committee provides control in respect of the extended limit framework regarding the credit quality of non-retail counterparties. The limit framework assesses counterparty exposures at different levels (country, sector, type of instrument and counterparty) and prescribes limits for these different levels to restrict both the individual counterparty risk and exposure to concentration risk.
In addition, AXA Bank Europe monitors its investment portfolio also in terms of:

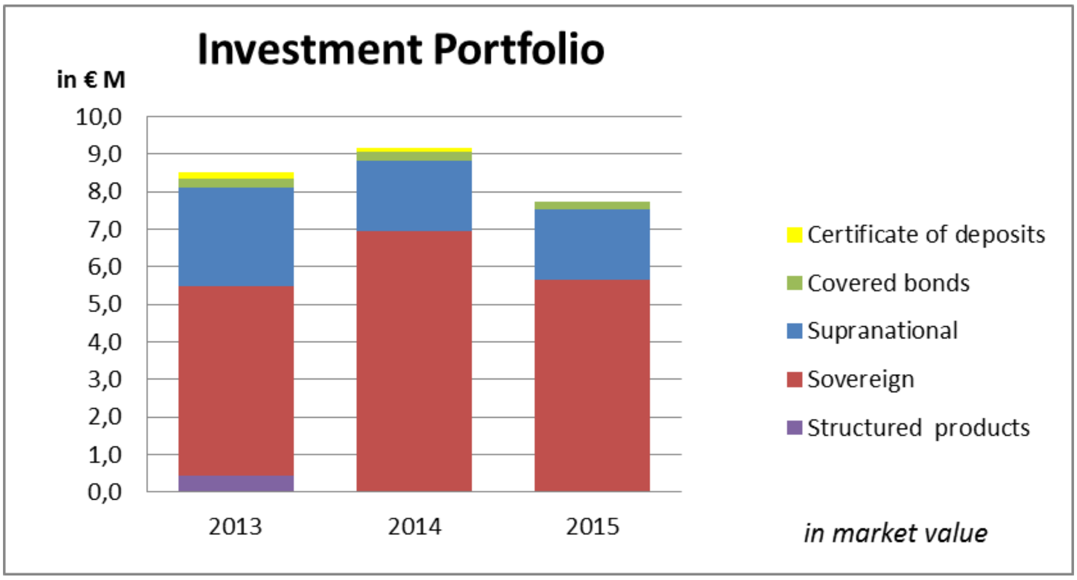
1) Adequacy of securities for calculation of the liquidity coverage ratio (see chapter: Liquidity Risk). The AXA Bank Europe's investment policy is almost exclusively limited to the assets of the highest liquidity class as defined by Basel III (L1);
2) Adequacy of securities for calculation of the solvency ratio.

Besides being followed locally, credit and concentration risks are also supervised at the AXA Group level.
AXA Bank Europe reports on a monthly basis all of its positions to the Central Risk Management Department of AXA Group to ensure compliance with this second set of limits.

[1] 'one-year default rate' means the ratio between the number of defaults occurred during a period that starts from one year prior to a date T (observation date) and the number of obligors assigned to this grade or pool one year prior to that date (sample date).

Investment portfolio

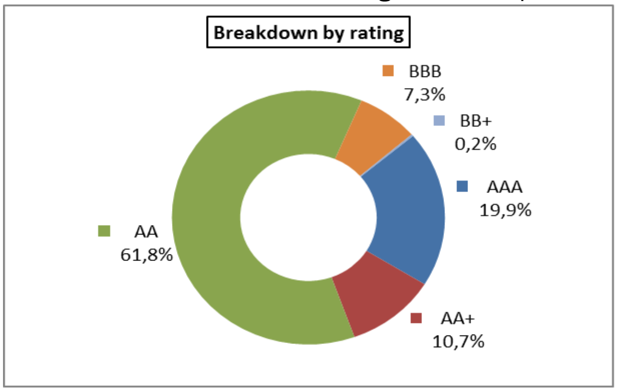
In 2015, the carrying value of the investment portfolio (including capital gains and losses not realized) decreased, going from EUR 8.7bn to7.4bn EUR mainly due to the sale and maturing of sovereign bonds. The vast majority of investments of AXA Bank Europe consist of good quality government bonds (73%) and supranational bonds (24%).

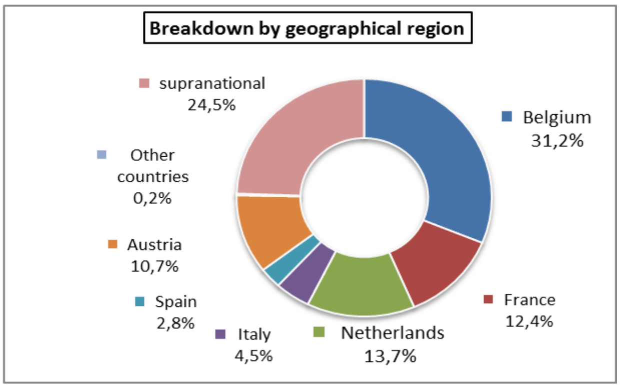


* In EUR bn

In addition, the ratings of credit and changes in the market price of AXA Bank Europe positions are being carefully monitored to examine the vulnerability of the credit portfolio for a number of adverse developments. Only 0.2% of the investment portfolio has a rating lower than investment grade (highest rating).
Geographically, the investment portfolio credit risk is mostly limited to countries that are members of the European Union.

Breakdown of the government portfolio national and supranational (Dec 2015)





AXA Bank Europe ensures close monitoring of its exposure to PIIGS countries. The total exposure on PIIGS has decreased by 372,7 EUR million due to the sale and maturing of sovereign bonds and no reinvestment.

Exposure to Portugal (15 EUR million) remain stable. Exposures to Spain (from EUR 297 million to 197 million) and Italy (from 612 to 340 million EUR) decreased significantly.

Included is an overview of the PIIGS exposure accountancy as of 2015 December 31st, with a description of the investment types (in EUR):

Country	Type of Instrument	Market value <1Y	Market value >1Y	Total
Spain	Sovereign	197.076.750		197.076.750
Italy	Sovereign	232.525.400	107.536.500	340.061.900
Portugal	Sovereign	15.490.500		15.490.500

Counterparty Credit risk of the trading room activity

AXA Bank Europe continued to serve as a centralized platform for the AXA Group for access to financial markets. Different insurance entities within the AXA Group use this platform which provides two services. Above all, AXA Bank Europe is an intermediary for pure derivatives such as interest rate swaps that the AXA Group's insurance entities use to hedge market risk on their life insurance. Second, AXA Bank Europe provides liquidity to insurance entities via standardized money market transactions ('reverse repos'). Exposure of the Bank to derivatives and money market transactions, including transactions within the AXA Group described in the previous paragraph is limited via a tougher policy regarding collateral requirements. Exposures to such transactions are subject to a daily credit risk monitoring and collateralized on a daily basis with market counterparties and on a weekly basis with AXA Group counterparties. Guarantees exchanged are limited to cash and high quality securities in order to ensure adequate limitation of credit exposures.

The banks that are counterparties for the trading room as regards the Treasury and Derivatives are selected on the basis of external ratings from three rating agencies (Fitch, Moody's and Standard & Poor's) resulting in AXA internal notation. They must have a minimum AXA rating of A-. For all derivatives, it is mandatory to enter into a Collateral Settlement Agreement and for all the repos, it is mandatory to have a Global Master Repurchase Agreement. Any further consideration must also be presented and approved by the Wholesale Risk Committee.

4.2.3 Securitisation of retail credits

With its policy of systematic securitization, AXA Bank Europe aims to complement its traditional financing consisting of retail deposits with another stable source of funding. Securitization policy is ideally backed by high quality mortgage loans.
The bank launched a first issue in November 2010. The covered bond program size remained stable in 2015 at EUR 3.900 million of which EUR 3.150 million remains on a consolidated level : 3.150 million is placed in the market and the EUR 750 million retained by AXA Bank Europe were eliminated in the consolidated balance sheet . AXA Banque France has subscribed EUR 400 million of these covered bonds.

4.3 Market risk

AXA Bank Europe divides its market risk into two parts: market risk *banking* book and market *risk trading* book.
The Assets and Liabilities Committee of AXA Bank Europe ensures the implementation of strategies for managing market risk. It evaluates the risk reports submitted by the AXA Bank Europe market risk management department and monitors agreed compliance within risk appetite.

4.3.1 Market risk banking book

This category includes the interest rate risk and the OLO- swap spread risk of the banking book.

Interest rate risk is defined as the risk of a decrease in economic value or earnings of the banking book due to changes in the market rates.
Interest rate risk for AXA Bank Europe and its subsidiaries is measured and managed at the level of AXA Bank Europe Headquarters. In this context, the ALM Department acts as first line of defence and the Risk Management Department as second autonomous defence line. Global indicators are used to control the interest rate risk during the monthly ALCO.

The solvency indicator is an important instrument for steering ALCO. In absolute terms, this indicator reflects the impact of a parallel shock of market interest rates on the economic value of the banking book. In relative terms, the indicator expresses the same impact as a percentage of regulatory capital.

The table shows the values in case of a parallel shock of 1 per cent (100 basis points).

Solvency indicator 1%	Dec-14	Dec-15
In absolute terms	15.5 mio EUR	-28,2 mio EUR
In relative terms	1.5%	-2,7%

In the economic capital model, the OLO-swap spread risk of the banking book is also integrated. This risk is defined as the risk of a decrease in economic value or earnings of the banking book due to changes in the OLO-swap spread (difference between the yields on government bonds and the interbank rates).

4.3.2 Market risk trading book

Value-at-Risk:
AXA Bank Europe uses a conservative approach to the market risk of its trading book. The Bank's trading activities derive mainly from AXA Bank Europe's role as a derivatives market access platform for AXA insurance entities. All positions with entities of the AXA Group in the context of the trading activity correspond to positions with external counterparties on a back-to-back basis so that the market risk is very limited. AXA Bank Europe does not take part in the negotiations of securities or commodities.

All these activities are closely monitored by the Risk Management Department of AXA Bank Europe in the framework of very strict limits. Since Dec 2015, the 10-day 99.5% Value at Risk of all these activities is limited to EUR 2.17 million (+/- 0.2% of Tier 1 capital)

NBB materiality thresholds:
Trading book is also subject to materiality thresholds introduced by the NBB (new Belgian banking law) in 2015. ABE's non-risk based (volume ratio) is well below threshold due to the application of IAS32 Master netting agreement. ABE's risk based ratio (RWA ratio) is also significantly below regulatory threshold because ABE follows a low market risk strategy for its trading book resulting in low Market Risk Weighted Assets. Furthermore, ABE's risk limit framework does ensure the VaR (holding period 1 day, confidence interval 99%) does not exceed 0.25% of T1 capital.

4.4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in exchange rates.
This risk is measured with a Value At Risk at 99.9% and a time horizon of two months.

There is a capital requirement for this risk if the total net position represents more than 2% of equity.
In 2015, the risk is systematically monitored at the ALCO and hedged.

FX risk Hungary disappeared after the conversion of all the FX loans to HUF following the Compensation & Conversion program. This program has been accomplished during March 2015, all the FX loans have been converted to HUF on the day of March 31st (FX rates fixed by law: 256.47 CHF/HUF, 308.97 EUR/CHF).
Remaining HUF position is closely monitored by the ALCO on a monthly basis together with the other remaining FX risk of the bank.

ABE's FX position as of Dec 2015:

ABE Conso - m € equivalent

Currency	Amount	%
CHF	0	-1%
HUF	-16	95%
USD	2	-13%
CZK	0	0%
Others	-3	20%
Total	**-17**	**100%**

4.5 Liquidity risk

The Basel Committee on Banking Supervision (BCBS) defines liquidity risk as the risk of not being able to quickly and easily increase one's cash position to absorb shocks following financial and economic stress.
In recent years, liquidity management was one of the most important priorities of AXA Bank Europe. It has resulted in a suitable framework for liquidity risk which is based on both regulatory and internal indicators. At the same time, the Bank's liquidity contingency plan has been adapted and the Bank established a special task force which, during systemic or idiosyncratic liquidity crises, must immediately intervene and take appropriate action.

AXA Bank Europe's strong liquidity position is reflected in a significant surplus of liquidity, both in terms of regulatory Basel III ratios and internal indicators.
The internal indicators are aligned with the liquidity indicators of the AXA Group, but adapted to the specific context of AXA Bank Europe. In addition, these internal stress indicators cover both short-term (time horizon of one month) and longer term (time horizon of 1 year) stress that may appear today or tomorrow in our business plan.
AXA Bank Europe follows proactively the liquidity indicators of Basel III. The LCR (Liquidity Coverage Ratio) is binding as from October 2015 and the NSFR (Net Stable Funding Ratio) will become binding in 2018. ABE has successfully adapted its strategy to meet these indicators. This strategy includes, for example, the Bank's investment policy, which is limited to highly liquid assets, and the attraction of long-term stable funding. The main sources of stable funding of the Bank are retail deposits (17.5 bn euros at 31/12/2015) and covered bonds (3.2 bn euros at 31/12/2015). With a comfortable reserve of liquid assets and a solid financing structure, the AXA Bank Europe LCR and NSFR clearly outweigh the minimum requirements at the end of 2015.

	12-2014	12-2015	Limit
LCR ratio (conso)	143%	139%	100%
NSFR (conso)	122%	139%	100%

Chart of maturity Analysis (high level)

2015 (in EUR)	< 3 months	< 12 months	> 12 months	Total
Central Bank financing	0	0	154.195.678	154.195.678
Loans from financial customers	4.131.161.048	551.966.446	3.040.428	4.686.167.922
Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP)	465.975.069	1.219.457	3.040.428	470.234.954
Repurchase Agreements	3.665.185.979	419.866.856	0	4.085.052.835
Secured loans	0	130.880.133	0	130.880.133
Retail funding:	15.089.067.078	442.285.172	1.924.790.808	17.456.143.058
Non maturing retail funding (savings and current accounts)	14.613.307.196	0	0	14.613.307.196
Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	475.759.882	442.285.172	1.924.790.808	2.842.835.862
AXA Group Financing:	313.773.306	7.259.561	750.032.329	1.071.065.196
Unsecured financing	313.773.306	3.211.830	0	316.985.136
EMTN	0	4.047.731	750.032.329	754.080.060
Other counterparties	70.640.929	500.000.000	2.678.728.260	3.249.369.189
Unsecured funding from non-financial customers	70.640.929	0	307.248	70.948.177
Covered bonds	0	500.000.000	2.678.421.012	3.178.421.012
Total	19.604.642.361	1.501.511.179	5.510.787.503	26.616.941.043

In this table the fair value of derivatives is not included since we do not consider these derivatives as "funding", given the fact that they are mostly part of AXA Bank’s 'back-to-back" activities .

4.6 Operational Risk

Operational risk means the risk of loss resulting from failed or insufficient internal processes or the risk of loss due to the staff or systems. A failure or inadequacy may result from both internal and external causes.

AXA Bank Europe applies the operational risk management framework developed by AXA Group. This framework consists of an annual cycle that identifies, assesses and quantifies the operational risks ABE may face. It also consists of a continuous loss data collection exercise, quantitative impact studies and range of practice reviews covering governance, data and modelling issues. The final objective is to mitigate and reduce the operational risk for the bank in its entirety.

The last years, the focus was put on the detection and fight against fraud. Policy rules and stricter controls have been introduced. Thus there are, for example, additional controls on mortgage loans and atypical transactions are subject to greater scrutiny. These actions have significantly reduced the number of fraud cases since 2014.
As from 2014 too, the priority was given to operational risks related to so-called cyber risks, and specifically on hacking, phishing and cyber-attacks. To limit exposure to these risks and to provide optimal protection to the bank and its clients, the Security Transformation Program was launched, and various actions were started (e.g. review of ABE web-presence or the creation of a specific IT security function).

In 2015, attention was brought on the improvement of the collaboration with the other support teams (like compliance, IT and internal audit) and on increasing the operational risk awareness within the business lines, specifically for loss data collection, and its subsequent mitigation. This last objective was achieved, among other actions, through presentations at all levels of ABE (from team managers to Management Board). The team was also involved on new strategic projects launched by ABE, including the move to Berchem which was closely followed and formed a specific part of the annual review cycle.
In 2016, the focus will remain on cyber risks and frauds. Further development on compliance issues (including Anti-money laundering and privacy), HR (like stress at work), BCP (business continuity planning) and outsourcing topics are other main priorities.

4.7 Strategic Risk

By strategic risk, we mean the risk that the most important objectives of AXA Bank Europe (in terms of profitability, solvency, liquidity and value creation) may not be achieved due to bad decisions, to inadequate allocation of resources or poor anticipation to changes in the environment. It refers to decisions that are necessary to adapt to the external environment of the company, to improve the internal organization or operation of new strategic opportunities.

In 2015, a new function of strategic advisor was set up within Risk Management.

The strategic threats are followed with the exercise of annual strategic planning, financial planning processes, product approval processes and management of strategic projects.

In 2015, AXA Bank Europe continued executing the transformation plan announced in 2014. This plan focuses on two core activities: Retail in Belgium and Intermediation Services exclusively offered to AXA Group entities.
The bank's strategic plan confirms ABE's positioning as a simple and de-risked bank. The aim is to ensure sustainable growth & superior customer experience.
It has three key pillars:

- Improvement of the client focus by offering simple and transparent bank products which was fully realized in 2015;
- Strengthening of the bank/agent network and building trust through the proximity between agents and their clients;
- Cost reduction: Within this framework, negotiations were conducted in 2014 with representatives of staff and agents alike. These negotiations include a reduction in the workforce which is still ongoing. The major part of this element is now realized. It does implicate also a reduction of the remuneration of the agents which will progressively show its effects.

The risk that the Hungarian government can take unilateral decisions on the Hungarian mortgage portfolio is now limited but it is still closely monitored. These strategic risk factors are subject to detailed analyses, to specific projects and, if needed, provisions

4.8 Capital Management (MV)

4.8.1 Management

In the wake of the financial crisis the EU introduced stricter rules on capital requirements for banks based on the BIII agreements. The requirements for banks are set out in the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRDIV). The CRR and CRD IV [2] apply from 1 January 2014 and set out a more prudent definition of eligible capital and require higher minimum regulatory capital, ensuring that the capital that banks need to hold adequately reflects the risks they take.
The prudential solvency is being carefully monitored by the Capital Management Committee as a partial working group of the asset-liability management committee (Asset & Liability Committee or ALCO) and periodically reports to the ALCO. In 2015, the bank was largely focused on optimising the legal exploitation of capital and a reduction in risk weighted assets. The Committee ensures that AXA Bank Europe meets the capital requirements.
The calculations for regulatory capital are reported quarterly to the controller.
The NBB recommends that banks ensure adequate solvency positions to comply with all the future requirements with a sufficient margin to sustain long-term viability. In this context the NBB has adopted two important macroprudential decisions.
First, the NBB has decided to extend for one year the application of a 5-percentage-point add-on to the risk weight applied to Belgian mortgage loan exposures by banks using the IRB approach (4.8.3)
Second, as foreseen by the CRD IV and the Belgian Banking Law[3], the NBB has decided upon capital surcharges to be applied to the Belgian systemically important banks (referred to as O-SIIs), For AXA bank Europe this means an additional capital buffer of 0.75%, equally phased-in over three-year period, beginning on 1 January 2016.
Alongside the capital requirements of Basel III, AXA Bank must also meet as a floor, the solvency ratio requirements of Basel I until December 2017 inclusive. In other words, capital that the bank must keep must always be greater than or equal to 80% of the total minimum amount of capital the bank is required to maintain in accordance with Basel I rules.

4.8.2 Regulatory Capital

Regulatory capital consists

- of Tier 1 core capital, subdivided into:
  - share capital;
  - reserves, including the result transferred and the result of the financial year;
  - cumulative unrealised gains;
  - prudential filters that exclude certain items of equity such as cash flow hedges, changes in value of own obligations and additional value adjustments;
  - and other allowances as intangible fixed assets, the various tax assets that rely on future profitability, deficits in terms of provision of internal rating approach IRB (*)
- of additional Tier 1 capital consisting of relevant convertible bonds;
- Tier 2 capital including the useful value of the subordinated debts, perpetual subordinated debts, and including Basel III transitional measures.

(*) When the internal ratings based approach (IRB) is applied for the calculation of credit risk, the Tier 1 capital was corrected with excess or deficit provision in relation to the IRB expected loss

ABE is permitted to include the consolidated year-end 2015 net profit in Common Equity Tier 1 capital on a consolidated basis for an amount of € 27.228.013.

[2] 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 and amending Regulation (EU) No 648/2012
[3] Art. 131 of 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC. Art. 14 of Annex IV to the Belgian Banking Law.

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	2015/12	2014/12
(in '000 Eur)		
Core Tier 1 capital	**890.352**	**878.942**
Paid in capital instruments	681.318	681.318
Retained earnings	267.092	241.774
Accumulated other comprehensive income	(3.639)	(46.728)
Other reserves	1.120	0
Prudential filters	(13.266)	35.490
Deductions of Core Tier 1 capital	(42.274)	(32.912)
Additional Tier 1 capital	**90.000**	**90.000**
TIER 1	**980.352**	**968.942**
TIER 2	**57.781**	**99.961**
Subordinated debts	31.116	47.579
Perpetual subordinated debts	26.665	52.382
TOTAL CAPITAL	**1.038.133**	**1.068.902**

4.8.3 Risk-weighted volume

The risk-weighted volume for the credit risk on the Belgian retail credit portfolio of credit is calculated according to the internal ratings based approach (IRB). At the end of 2013, the NBB decided to apply an additional risk weight of 5% on the Retail Real Estate in Belgium for all Belgian banks using IRB models.

Investment portfolio credit risk - excluding mortgage-backed securitization positions according to IRB - is calculated using the standardised approach (SA).

For the remaining assets, primarily the investment portfolio and retail activities in Hungary, the standardised approach (SA) are applied. The Standardised Approach (SA) is applied on the remaining assets which differ depending on the credit assessment, the category and nature of each asset and counterparty, while taking into account credit protection and guarantees.

A conversion factor is applied as required to the entries that fall outside the 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).

From 2014, the calculation of Tier 1 capital for the risk of credit valuation adjustment (CVA risk) is integrated in the risk volumes.

RISK WEIGHTED ASSETS	2015/12	2014/12
(in '000 EUR)		
Risk weighted assets for credit risk	3.949.383	4.255.795
Risk weighted assets for market risk	111.638	191.412
Risk weighted assets for operational risk	731.892	699.409
Risk exposure amount for credit valuation adjustment (CVA-risk)	98.074	175.749
TOTAL RISK WEIGHTED ASSETS	**4.890.987**	**5.322.365**

4.8.4 Capital ratios

CAPITAL RATIOS	2015/12	2014/12
Core T1 ratio	18,2%	16,5%
T1 ratio	20,0%	18,2%
CRD ratio	21,2%	20,1%

AXA Bank Europe meets all the minimum capital requirements imposed by Basel III. The bank also meets the strictest percentage of Tier 1 capital imposed under SREP.

4.8.5 Leverage ratio

The leverage ratio is a supplementary measure to the Basel framework. It is the carry between Tier 1 and the total exposure measure (balance and off-balance sheet items).

The aim is to constrain excessive leverage and to bring institutions' assets more in line with their capital.

The ratio will be binding on 1 January 2018 but the BCBS (Basel Committee on Banking Supervision) guidelines provide for disclosure of the leverage ratio and its components starting from 1 January 2015.

The EU commission published a new regulation (No 680/2014) with regard to the Leverage Ratio (LR), following the EC Delegated act.

According to this Delegated Act, ABE complies with the minimum benchmark of 3% and equals 3.42 %.

5 Fair value of financial assets and liabilities

5.1 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

For assets and liabilities of the immediate and short-term demand whereby we take the book value as the best approach.

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

- First, future cash flows are calculated based on product features (client's interest rate, payment frequency, etc.) For products for which a duration is unknown such as saving and current accounts, a hypothetical 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 mortgage loans 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 customer reset 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 management costs of the product concerned.

5.2 Fair value with respect to financing activities (treasury)

The financial instruments are subdivided into 3 categories: The first element consists of financial instruments for which fair value 1 is determined based on market prices in an active market.

The determination of the existence of an active market is usually obvious from the information already available to the public or to the investment teams. There is no clear line or minimum activity threshold that represents 'transactions take place regularly on the market', such that the level of actual transactions must be assessed while taking into account the frequency and volume. However, low trading volume represents a price if it is set in a normal business environment remotely and that the amounts of transactions are important indicators of fair value.

If the market for a specific instrument is not active or market prices are not available or are 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 we make use of external prices provided by a reliable intermediary. These prices are then subject to a internal validation or we value these instruments by means of internal rating techniques.

The use of observable input parameters results in a fair value of Category 2, while the use of unobservable input parameters leads to a fair value of category 3, unless their influence is not significant. Observable inputs are developed using market data such as publicly available information about actual events or transactions, and reflect the assumptions market participants would use in setting the price of the instrument. As the parameters used can vary from one instrument to another, we determine the observability and significance of potentially unobservable parameters by class of instruments. On the basis of these criteria, we keep a decision table that justifies the level of fair value assigned to each class of instruments.

The significance of non-observable parameters is assessed (1) at the level of each individual financial instrument and (2) cumulatively.

(1) The specific impact of non-observable parameters on the fair value of any financial instrument is assessed as soon as its mark-to-market exceeds [0.05%] of the total balance sheet. It is considered that it has more than insignificant effect when it influences the change in fair value of a financial instrument by [30%] or more. In the case where the bank could not measure the specific impact of the unobservable parameter on the fair value of the instrument with reasonable efforts, the instrument is mechanically classified in level 3.

(2) At cumulative level, it is verified that the overall mark to market of all financial instruments using non-observable parameters that are not classified under level 3 does not exceed [2%] of the total balance sheet.

A dedicated committee ensures a regular revision, at least once a year, of this decision table to ensure its accuracy and comprehensiveness. The dedicated committee is, at least, composed of the managers of the accounting policies (including CTFM) and the middle-office representing the business.

If there would be at level of this dedicated committee still a disagreement on the fair value classification the point would be escalated towards the CFO of AXA Bank Europe who will decide on the level classification.

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.

Overview of assets and liabilities expressed at fair value

Below we show an overview of AXA Bank Europe assets and liabilities expressed at fair value.

Assets / Liabilities 2015.12 in '000 EUR	Carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
Trading assets		1.555.673		1.534.226	21.448
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		7.838.627	7.831.826	70	6.731
Held-to-maturity investments					
Other financial assets					
Financial liabilities held for trading		900.768	57	892.632	8.080
Financial liabilities designated at fair value through profit or loss		1.633.560		1.249.136	384.424

Table 5.1

Assets / Liabilities 2014.12 in '000 EUR	Carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
Trading assets		6.412.466	310	6.320.202	91.955
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		9.263.827	8.223.830	1.033.267	6.731
Held-to-maturity investments					
Other financial assets					
Financial liabilities held for trading		6.240.739	9	6.166.130	74.600
Financial liabilities designated at fair value through profit or loss		1.613.123		1.332.940	280.182

Tabel 5.2

After legal review and adjustment of some clauses in the contracts the netting requirements of IAS32 are at the end of 2015 to fulfil the following counterparties: HSBC, Credit Suisse, AXA Life Europe and AXA Life Invest Reinsurance. In comparing the above figures between the previous and current year should therefore be taken into account with a netting effect by December 31, 2015 of 3,228,787 K euro on financial assets held for trading and 3,735,212 K euro on the financial liabilities held for trading.

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:					
31.12.2015	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE	Level 3 Total impact on P & L for the period
Assets available for sale (7120)	6.731	0	0	0	0	6.731	0
Financial assets at fair value with fair value through profit and loss (7110)	0	0	0	0	0	0	0
Financial assets held for trading (7100)	91.955	-71.768	0	1.261	0	21.448	-71.768
Financial liabilities held for trading (7160)	-354.783	21.200	0	-58.922	0	-392.504	21.200
Total level 3 financial assets / liabilities	**-256.097**	**-50.568**	**0**	**-57.661**	**0**	**-364.326**	**-50.568**

Table 5.3

(a) Corresponds to the realized and unrealized P & L and OCI during the period of financial assets / liabilities classified as Level 3 at the beginning (including the impact of foreign exchange income, interest income, impairment

(b) Settlements during the period of financial assets / OBLIGATIONS classified as level 3 at the beginning (Purchases, Sales and redemption of securities)

(c) The net transfers in and out of Level 3 consists of the following movements: transfers from Level 2 to Level 3

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:					
31.12.2014	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE	Level 3 Total impact on P & L for the period
Assets available for sale (7120)	6.731	0	0	0	0	6.731	0
Financial assets at fair value with fair value through profit and loss (7110)	0	0	0	0	0	0	0
Financial assets held for trading (7100)	0	15.894	0	0	76.061	91.955	15.894
Financial liabilities held for trading (7160)	0	-18.342	0	-108.567	-227.873	-354.783	-18.342
Total level 3 financial assets / liabilities	**6.731**	**-2.448**	**0**	**-108.567**	**-151.813**	**-256.097**	**-2.448**

Table 5.4

(a) Corresponds to the realized and unrealized P & L and OCI during the period of financial assets / liabilities classified as Level 3 at the beginning (including the impact of foreign exchange income, interest income, impairment

(b) Settlements during the period of financial assets / OBLIGATIONS classified as level 3 at the beginning (Purchases, Sales and redemption of securities)

(c) The net transfers in and out of Level 3 consists of the following movements: transfers from Level 2 to Level 3

The movements in the financial instruments regarding which the FV is based on quoted prices or observable data other than quoted prices are mainly due to the following elements (in 000 EUR):

FV 2015	Level 1	Level 2
Purchase/Sale/repurchase	-950.416	-464.829
From level 2 to level 1	568.412	-568.412
Delta compared to evolution Market value	-10.000	45
Total	-392.004	-1.033.197

FV 2014	Level 1	Level 2
Purchase/Sale/repurchase	468.844	-87.049
From level 2 to level 1	0	0
Delta compared to evolution Market value	188.353	49.384
Total	657.197	-37.665

The evolution of financial assets and liabilities held for transaction purposes is mainly due to derivative transactions within HUB activities of the bank (access to the market for the main insurance entities of the AXA Group).
Valuation technique based on market data:
The large majority of the positions classified under this point are valued based on market prices calculated by different parties.
The remaining part is priced using information found in Bloomberg, Reuters, Markit and/or Interactive Data or communicated by counterparties after being checked in order to assess their reliability.

For 2014, transfers are reportable from level 2 to level 3 due to the revision and improvement of the process.

Visibility of an active market is generally clear with market information available to the public and investors. There is no clear line or minimum activity threshold that represents 'transactions regularly taking place on the market', such that the level of actual transactions must be assessed while taking into account frequency and volume. However, low trading volume still represents a price if it is determined in a normal objective environment on an objective basis. The amounts of the transaction are important indicators of the fair value.

In the absence of an active market for a specific instrument or if market prices are not available or are not regularly available, valuation techniques will be used on the basis of the present value of future cash flows and the price will be determined on the basis of option models. These valuation techniques use market data such as yield curves, dividend yield, index levels and volatility. In some cases we make use of external prices provided by a reliable intermediary. These prices are then subject to an internal validation or we value these instruments using internal rating techniques.

The use of observable input parameters results in a "fair value based on observable inputs other than prices quoted," while the use of unobservable inputs results in a "fair value not based on market data", unless their influence is not significant. Observable inputs are developed using market data such as publicly available information concerning actual events or transactions and that reflect the assumptions used by market participants in setting the price of the instrument. As the parameters used can vary from one instrument to another, we determine the observability and significance of potentially unobservable parameters by class of instruments. Since 2014, we have been using a decision table in order to justify the level assigned to each class of instrument on the basis of these criteria. A special committee is responsible for regularly reviewing this decision table, at least once a year, to ensure its accuracy and completeness. This special committee has to include the managers responsible for accounting policy and the middle office.

The financial assets for sale regarding where their fair value is not based on the market value concern shares that are recognised for their purchase price as the best estimate of their market value.

Asset/Liability **2015.12** **In '000 eur**	*Carrying amount (if differnt from fair value)*	*Recognised or disclosed fair value*	*Fair value determined on the basis of the stock market price*	*Fair value determined on the basis of observable data other then stock market prices*	*Fair value not determined on the basis of market data*
Loans & receivables	19.765.932				
Loans & receivables, no FV	2.525.197	2.525.197			
Loans & receivables, FV	17.240.735	17.240.735			17.240.735
Financial liabilities at amortised cost	25.549.157				
Financial liabilities , no FV	22.370.736	22.370.736			
Financial liabilities, FV	3.178.421	3.374.405		3.374.405	

Tabel.5.5

The estimated Fair value of loans and receivables result from a calculation of the discounted amount of the loan cash flows using the 6 months swap curve

Loans and receivables (including finance leases) whose fair value was calculated in the same manner as for the covered bond (for which the fair value is based on information obtained by more than 20 market participants or obtained from Bloomberg.

Asset/Liability **2014.12** **In '000 eur**	*Carrying amount (if differnt from fair value)*	*Recognised or disclosed fair value*	*Fair value determined on the basis of the stock market price*	*Fair value determined on the basis of observable data other then stock market prices*	*Fair value not determined on the basis of market data*
Loans & receivables	25.663.294				
Loans & receivables, no FV	10.423.133	10.423.133			
Loans & receivables, FV	15.240.161	15.240.161			17.135.353
Financial liabilities at amortised cost	31.982.130				
Financial liabilities , no FV	28.805.911	28.805.911			
Financial liabilities, FV	3.176.219	3.281.759		3.281.759	

Tabel.5.6

The estimated Fair value of loans and receivables result from a calculation of the discounted amount of the loan cash flows using the 6 months swap curve

Loans and receivables (including finance leases) whose fair value was calculated in the same manner as for the covered bond (for which the fair value is based on information obtained by more than 20 market participants or obtained from Bloomberg.

5.3 Day one profits

Day one profits were not booked during the 2015 financial year. The amounts recognised during previous financial years shall be spread over the duration of the instrument.

5.4 Application of CVA and DVA on derivative portfolio

Based on internal assessment by the Bank, management believes that the impact of the application of CVA and DVA on the derivative portfolio amounted to gross CVA of EUR 30,80 million and gross DVA of EUR 25.46 million. The net impact (earnings) thus came to EUR 5,34 million EUR (before tax).

IFRS 13 defines fair value. Concerning derivatives in particular, this standard requires integrating a measure of credit risk in the calculation of fair value through a credit valuation adjustment (CVA) and a debit value adjustment (DVA). The CVA measures credit risk incurred by AXA Bank Europe on its counterpart while the DVA measures the credit risk incurred by our AXA Bank Europe counterpart.

The CVA and DVA are calculated by offsetting, i.e. by counterpart entry in most cases. The CVA (DVA) depends on the exposure at the closing date, the counterparty credit spread (AXA Bank) and maturity of the deals. For any given offset, exposure consists of part of the current exposure, i.e. the difference between the fair value of the position at the reporting date and the value of collateral exchanged at the said date and, secondly, of the potential future exposure, i.e. the expected change in the fair value of the position over a period of 10 days.

This total exposure is maintained until the average maturity of deals.

The sub-time "current exposure" changes over time. For the first 10 days, it corresponds to the difference between the fair value of the positions on the closing date and the value of the collateral exchanged on that date. From the 11th day, this current exposure is replaced by the current maximum exposure as defined in the collateral contract (CSA Threshold and Minimum Transfer Amount) to which any initial margin paid/received is added at the closing date.

6 Critical accounting estimates and judgements

AXA Bank Europe uses estimates and judgements when drawing up its consolidated financial statements on the basis of IFRS. These estimates and assumptions are continuously tested and are based on past experience and other factors, including an acceptable assessment of future events based on currently known conditions.
Estimates and judgements take place primarily in the following areas:

- Estimation of the realisable value for impairments for:

  Financial instruments - securities

  Financial instruments - credits

  Property, plant and equipment

- Determination of the fair value of non-quoted financial instruments

  The fair value of financial instruments not quoted on an active market is determined by means of rating techniques. Where these rating techniques (for example, models) are used, they are checked and validated periodically. All models are also validated before they are applied. They are adjusted in order to always include the latest data and comparable market data. For more information, please refer to point 4.9. Fair value of financial assets and liabilities.

- Estimation of impairment for loan losses in Belgium

As indicated under point 2 on the principles for our financial reporting, the company combined a collective value with a specific valuation.

This specific valuation is applied at two moments.

1. A special impairment loss is recognised from the "uncertain outcome" status based on historic observation data. This impairment is calculated individually on a statistical basis, taking account of the

historic observed losses and probability of a return to the “normal process” status or transition to “dubious and bad debt”.

2. The dossier will be individually monitored from the “dubious and bad debt” status and the impairment losses recorded, taking account of the evolution of the case and in particular the guarantees. These cases remain valued on an individual basis, even if the guarantees are adequate. Any impairment is booked individually per case.

The portfolio with “normal process” is valued on a collective basis using latent indicators (the “losses incurred but not yet recognised” model) and company expertise.

In 2015, AXA Bank Europe changed the default definition to bring this in line with new European regulations (Implementing Regulations 2015/227 of 9 January 2015). In 2014 in the ITS issued by the EBA (July 2014), an initial expert assessment was realised of the impact of the impairment for credit losses of such a change in the default definition. The effective implementation of the default change in June 2015 resulted in an additional impact of EUR 3,85 million in 2015.

The main changes in the default definition relate to the “unlikely to pay” aspect and an additional requirement of 6 months without payment problems before a loan can be considered healthy. These changes ensure that the default status of a loan defined within the framework of regulatory requirements is more in line with the accounting concept of ‘non-performing’ credit.

- Estimation of impairment for loan losses in Hungary.

The provision for credit losses is estimated on an individual basis and represents the risk components of the borrowers in Hungary. Examples are given below. This list of examples is not exhaustive and is regularly updated in accordance with best practices with a view of having the greatest possible accuracy and to keep pace with economic developments in Hungary.

* The seriousness of the payment problems

* The magnitude of the debt

* The location of the real estate

* The condition and value of the real estate

* The time required to find a buyer in the region

* The probability of recovery through a forced sale or some other means

Although the economic context seems to have stabilised itself, estimating future credit losses is made more difficult due to the volatility of the foreign exchange market, sudden interest rate increases and difficulties on the real estate market. These estimates are being closely followed and are adjusted on a monthly basis with a view to providing the most correct estimate for the provision for credit losses. We also refer to item 4.3.1 of this document for more quantitative information about credit risk in Hungary.

- Estimate of deferred tax

The following distinction is made with regard to the deferred tax and its recoverability

- Deferred tax through Other Comprehensive Income

These tax assets are booked on:

- Adjustments with regard to the actuarial assumptions used for the calculation of the provisions related to pension schemes
- The valuation results on derivatives used for cash flow hedging
- The valuation results on securities that are classified under the "available for sale" category
  - The degree to which they are taxable;
  - And, naturally, that give cause to booking an unrealised loss;
  - And they do not fall under the terms and conditions to book a special value reduction.

AXA Bank Europe does not expect that the losses shall be realised in the future since the strategy shall usually lead to these securities being retained in the portfolio until their maturity date as a general rule. AXA has been anticipating expected IFRS changes and Basel III rules and has been taking a volatile market into account for a few years and, therefore, the management of this "available for sale" portfolio is driven, in these cases, by following a different strategy. Deferred tax is only entered for this category to the degree in which a larger or equal deferred tax liability is entered with regard to this portfolio that is also linked to the same underlying portfolio and to the same period.

As no impairment is noted on the receivable, no credit losses on debt instruments are expected. Therefore, the receivable is considered as fully recoverable..

Deferred tax as a result of a difference in the time of the accounts being processed (including losses).

A deferred tax asset is recognised insofar future accounting profits will be available to recuperate the deferred tax asset and the unused tax offsettable credit balance.

The net position Deferred taxes through profit amounts Keuro 34 040 as at 31-12-2015 of which Keuro 33 959 covers transferable tax losses. The net position Keuro 34 040, is 1.4 million euros DTL related to the Branch Hungary.

The following Belgian tax profits are available based on the forecast performed by AXA Bank Europe on the basis of a time horizon of 5 years. However, it should be noted that the recuperation will mainly arise from the budget tax profits in years 4 and 5.

- Use of estimates with other elements.

For a description of the valuation of the CVA/DVA, please refer to point 5.4 of these financial statements. For the way in which the pension regulations implemented at AXA Bank Europe uses estimations, please refer to point 33.

7 Net fee and commission income

Fee and commission income and expenses in '000 EUR	2015.12	2014.12
Fee and commission income		
Securities	16.146	12.711
Issued	13.658	10.442
Transfer orders	96	45
Other	2.391	2.224
Clearing and settlement		
Trust and fiduciary activities	1.019	1.131
Asset management		
Custody	1.019	1.131
Other fiduciary transactions		
Loan commitments		
Payment services	7.009	17.505
Structured finance		
Servicing fees from securitization activities		
Other	19.714	17.834
TOTAL	**43.888**	**49.181**
Fee and commission expenses		
Commissions to agents (acquisition costs)	26.805	25.090
Clearing, settlement and consignment	874	1.281
Other	8.294	15.435
TOTAL	**35.973**	**41.806**

Table 7.1

For 2014 there is 1434 Keuro related to the branch of Hungary, reported in 2015 as a discontinued operation, including: 5413 Keuro income from payment services, 104 Keuro other financial services 4,083 Keuro other expenses.

8 Net income from financial instruments not classified as fair value through profit or loss

Net income from financial instruments not classified as fair value through profit or loss 2015.12 in '000 EUR	Realised gains	Realised losses	Net
Available-for-sale financial assets	56.383		56.383
Loans and receivables (including finance leases)	2.850		2.850
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
TOTAL	59.233		59.233

Table 8.1

Net income from financial instruments not classified as fair value through profit or loss 2014.12 in '000 EUR	Realised gains	Realised losses	Net
Available-for-sale financial assets	136.446	39.999	96.447
Loans and receivables (including finance leases)	11.035		11.035
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
TOTAL	147.481	39.999	107.482

Table 8.2

For 2014 there are 286 Keuro related to the branch of Hungary, reported in 2015 as a discontinued operation, including 13 Keuro on Available for Sale and 273 Keuro on loans and advances.

9 Net income from financial instruments designated at fair value

Net income from financial instruments designated at fair value 2015.12 in '000 EUR	Realised gains	Realised losses	Net	Amount of change in FV due to changes in the credit risk
Financial assets designated at fair value through profit or loss			0	
Financial liabilities designated at fair value through profit or loss	59.730	15.180	44.550	
TOTAL	59.730	15.180	44.550	

Table 9.1

Net income from financial instruments designated at fair value 2014.12 in '000 EUR	Realised gains	Realised losses	Net	Amount of change in FV due to changes in the credit risk
Financial assets designated at fair value through profit or loss	16.574		16.574	
Financial liabilities designated at fair value through profit or loss	9.178	77.166	-67.989	
TOTAL	25.752	77.166	-51.415	

Table 9.2

10 Net income from hedging activities

Net income from hedging activities 2015.12 in '000 EUR	Realised gains	Realised losses	Net
Fair value hedges	59.757	207.161	-147.404
Fair value changes of the hedged item attributable to the hedged risk	24.374	24.363	11
Fair value changes of the hedging derivatives (Including discontinuation)	35.383	182.798	-147.415
Cash flow hedges			
Fair value changes of the hedging derivatives - ineffective portion			
Hedges of net investments in a foreign operation			
Fair value changes of the hedging derivatives - ineffective portion			
Fair value hedge of interest rate risk	319.884	192.999	126.885
Fair value changes of the hedged item	319.884	192.999	126.885
Fair value changes of the hedging derivatives			
Cash flow hedge of interest rate risk			
Fair value changes of the hedging instrument - ineffective portion			
Discontinuation of hedge accounting in the case of a cash flow hedge	21.049	45.175	-24.126
TOTAL	400.690	445.335	-44.645

Table 10.1

Net income from hedging activities 2014.12 in '000 EUR	Realised gains	Realised losses	Net
Fair value hedges	701.282	687.524	13.757
Fair value changes of the hedged item attributable to the hedged risk	56.488	640.526	-584.037
Fair value changes of the hedging derivatives (Including discontinuation)	644.793	46.999	597.795
Cash flow hedges			
Fair value changes of the hedging derivatives - ineffective portion			
Hedges of net investments in a foreign operation			
Fair value changes of the hedging derivatives - ineffective portion			
Fair value hedge of interest rate risk		86.218	-86.218
Fair value changes of the hedged item		86.218	-86.218
Fair value changes of the hedging derivatives			
Cash flow hedge of interest rate risk			
Fair value changes of the hedging instrument - ineffective portion			
Discontinuation of hedge accounting in the case of a cash flow hedge			
TOTAL	701.282	773.743	-72.461

Table 10.2

This includes the amortization of the fair value change of the hedged position.

11 Other operating income and expenses

Other operating income and expenses in '000 EUR	2015.12	2014.12
INCOME	**30.904**	**28.501**
Tangible assets measured using the revaluation model		
Investment property		
Rental income from investment property		
Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used		
Other income related to investment property		
Operating leases		
Other	30.904	28.501
EXPENSES	**1.243**	**1.326**
Tangible assets measured using the revaluation model		
Investment property		
Direct operating expenses (including repair and maintenance) arising from investment property that generated rental income during the period		
Direct operating expenses (including repair and maintenance) arising from investment property that did not generated rental income during the period		
Cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used		
Operating leases	1.243	1.305
Other	0	21
TOTAL	**29.661**	**27.175**

Table 11.1

For 2014, there are 2,650 Euros within other operating income related to the branch of Hungary, reported in 2015 as a discontinued operation.

12 Personnel expenditure

Employee benefits in '000 EUR	2015.12	2014.12
Wages and salaries	72.579	72.031
Social security charges	25.696	37.023
Pension and similar expenses	960	1.276
Share based payments		
Other	7.954	1.858
TOTAL	107.190	112.188

Table 12.1

For 2014, 9994 Keuro is related to the branch of Hungary, reported in 2015 as a discontinued operation, including 7547 Keuro salaries, 2.396 Keuro social charges and 51 Keuro to others.

13 Other operating expenses

Other operating expenses in '000 EUR	2015.12	2014.12
Marketing expenses	9.048	8.162
Professional fees	44.569	40.560
IT expenses	4.911	8.903
Rents to pay or to receive	-930	472
Other	82.033	96.420
TOTAL	139.631	154.517

Table 13.1

For 2014 there are 24 584 Keuro related to the branch of Hungary, reported in 2015 as a discontinued operation, including 472 Keuro marketing costs, Keuro 2777 fees, Keuro 2772 IT spending, Keuro 1080rents paid and received and Keuro 17 483 other.

AXA Bank Europe applies IFRIC21 for the following bank charges since 1 January 2015.

- Annual tax on unit trusts, credit institutions and insurance companies.
- Tax on financial institutions
- Contributions on deposit protection fund
- Contribution to Belgian stability fund
- European resolution fund

14 Income tax expense

AXA Bank Europe did not use the Notional Interest Deduction during the current financial year in 2015.

AXA Bank Europe can profit from using the Notional Interest Deduction based on current Belgian tax legislation.

The Notional Interest Deduction forms a thorough change of the corporate tax calculation structure for year as from the 2007 tax return year.

The main objectives of this measure are to reduce the fiscal discrimination between debt financing and equity financing, strengthening the capital structure and a general reduction of the effective tax rate (with higher return on investments after tax). Another aim is to attract capital intensive investments and offer an instrument to retain or to start up activities in Belgium which were previously authorised under the special Belgian Coordination Centres scheme.

The notional interest deduction is based on the company's equity minus a number of corrections such as the deductions for fiscal net value at the end of the previous taxable reporting period for certain financial assets. In September 2014, a capital increase of EUR 135 million was completed; it consolidated the basis for calculating the notional interest deduction in 2014 of up to 3/12 of that amount.

After the Notional Interest Deduction has been determined, the percentage of the deduction is calculated.

The deduction of the Notional Interest Deduction reduces the taxable base on which corporate tax is calculated.

The unused part of the Notional Interest Deduction can be carried forward for seven successive years, up to and including the 2011 financial year, when there are insufficient profits for applying the full deduction. It is no longer possible to carry forward the unused part of the Notional Interest Deduction to the following financial years as of the 2012 financial year.

The taxable profit is not a reason for corporate tax being owed for the 2015 financial year because (mainly) of the use of the Notional Interest Deduction for the financial year. However, no use was made of the transferrable stock built up based on the Notional Interest Deduction that could be carried forward from the previous financial years up to and including 2011.

AXA Bank Europe's equity contains tax free reserves for an amount of EUR 213.067.385,05 (no change over 2014) for which no deferred tax up to EUR 72,421,604.18 was calculated (no change over 2014) . In instances of these reserves being paid out, they will be taxable. As long as the bank is a going concern, these reserves are required as part of the equity capital for the operations of the bank, since there is no intention of paying them out.

Based on the AXA Bank budget exercise where it took into account a margin of uncertainties in the assumptions used, a deferred tax asset has been recorded for a portion of unused tax losses carried forward (99,909,949.05 euros). AXA Bank Europe recorded a deferred tax asset for the remainder of the unused tax losses carried forward (95,888,321.92 euros). At the end of 2015 the transferable FDI amounts to 7,071,205.67 euros while the stock of transferable notional interest deduction (built up until 2011) amounts to 99,222,072.29 euros; this is a maximum of 58.6 million euros used in 2017 (tax year 2018) and a maximum of 26.4 million in 2018 (tax year 2019).

Limiting tax deductions for credit institutions, as became effective during 2015 and which reached the maximum amount of EUR 14.17 million for AXA Bank Europe, did not have any impact on the corporation tax payment for 2015. (Michel Tax)

Reconciliation of statutory tax to effective tax 2015.12 in '000 EUR	Net amount	%
1. Tax expense using statutory rate	15.103	
1.1. Net profit before taxes	44.433	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	37.524	
3. Tax impact of non taxable revenues	-9.694	
4. Tax impact of non tax deductible expenses	-598	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss		
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates		
9. Tax impact from under or over provisions in prior periods	990	
10. Other increase (decrease) in statutory tax charge	-45.509	
11. Tax expense using effective rate	17.203	
11.1. Net profit before taxes	44.433	
11.2. Effective tax rate		38,72%

Table 14.1

Reconciliation of statutory tax to effective tax 2014.12 in '000 EUR	Netto bedrag	%
1. Tax expense using statutory rate	17.396	
1.1. Net profit before taxes	-51.180	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	-18.965	
3. Tax impact of non taxable revenues	-3.501	
4. Tax impact of non tax deductible expenses	93	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss		
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates	-1.638	
9. Tax impact from under or over provisions in prior periods	28	
10. Other increase (decrease) in statutory tax charge	9.617	
11. Tax expense using effective rate	3.030	
11.1. Net profit before taxes	-51.180	
11.2. Effective tax rate		5,92%

Table 14.2

The tax claim recognised by AXA Bank Europe includes taxable reserves and provisions as well as tax claims on temporary differences due to IFRS restatements and fiscally transferred losses. Regarding these temporary differences, the major part relates to fair value changes in the investment portfolio. It can be momentarily assumed that most of these securities will be held until maturity. Based on the budget analyses carried out by management, AXA Bank does not expect any issues regarding the recoverability of these claims.
In the following analysis of assets and deferred tax liabilities, no legal entity is distinguished.

A break-down of the recoverability of the deferred tax assets appears below:

	31/12/2015	31/12/2015	31/12/2015
Analysis of deferred tax assets and liabilities	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	128.478	93.036	35.442
Deferred taxes through revaluation reserve for financial assets available for sale	3.377	83.348	-79.971
Deferred taxes through cash flow hedge revaluation reserve	5.462	20	5.442
Deferred taxes through profit and losss on defined benefit plans	7.028	0	7.028
Deferred taxes on reserves for income through Stock Option Plan	0	577	-577
Total deferred taxes	144.345	176.981	-32.636

Table 14.3

	31/12/2014	31/12/2014	31/12/2014
Analysis of deferred tax assets and liabilities	Net deferred tax assets	Net deferred tax liabilities	Net deferred taxes
Deferred taxes through result	155.026	100.734	54.292
Deferred taxes through revaluation reserve for financial assets available for sale	6.903	86.902	-79.999
Deferred taxes through cash flow hedge revaluation reserve	4.313	0	4.313
Deferred taxes through profit and losss on defined benefit plans	15.668	0	15.668
Deferred taxes on reserves for income through Stock Option Plan	0	299	-299
Total deferred taxes	181.910	187.935	-6.025

Table 14.4

Income tax expense current and deferred	2015.12	2014.12
Current income tax expense, net	2.405	2.035
Deferred tax expense, net	14.187	-5.064
Total	16.592	-3.029

Table 14.5

For 2014, 546 Keur related to the branch of Hungary, reported in 2015 as a discontinued operation.

Deferred tax assets per expected date of utilization

31/12/2015	*Deferred tax asset-expected date of utilization 1 year*	*Deferred tax asset-expected date of utilization 2 year*	*Deferred tax asset-expected date of utilization 3 year*	*Deferred tax asset-expected date of utilization 4 year*	*Deferred tax asset-expected date of utilization 5 year*	*Deferred tax asset-expected date of utilization 6 year*	*Deferred tax asset-expected date of utilization Between 7 and 11 years*	*Deferred tax asset-expected date of utilization > 11 years*	*Deferred tax asset-expected date of utilization No date determined*	***TOTAL***
Deferred tax asset on taxable transferred losses			6.025	4.839	20.707	2.388				33.959
Other deferred tax assets	5.959	3.469	21	11	38.610	8	18	62.290		110.386
TOTAL DTA	**5.959**	**3.469**	**6.046**	**4.850**	**59.317**	**2.396**	**18**	**62.290**	**0**	**144.345**

Table 14.6

Deferred tax assets per expected date of utilization

31/12/2014	*Deferred tax asset-expected date of utilization 1 year*	*Deferred tax asset-expected date of utilization 2 year*	*Deferred tax asset-expected date of utilization 3 year*	*Deferred tax asset-expected date of utilization 4 year*	*Deferred tax asset-expected date of utilization 5 year*	*Deferred tax asset-expected date of utilization 6 year*	*Deferred tax asset-expected date of utilization Between 7 and 11 years*	*Deferred tax asset-expected date of utilization > 11 years*	*Deferred tax asset-expected date of utilization No date determined*	***TOTAL***
Deferred tax asset on taxable transferred losses	3.687	3.107	8.792	17.373	0	0	0	0		32.959
Other deferred tax assets	59.772	399	21	4.334	54	50.809	7	33.555		148.951
TOTAL DTA	**63.459**	**3.506**	**8.813**	**21.707**	**54**	**50.809**	**7**	**33.555**	**0**	**181.910**

Table 14.7

Deferred tax assets as on the last use date

31/12/2015	*DTA last use date 1 year*	*DTA last use date 2 year*	*DTA last use date 3 year*	*DTA last use date 4 year*	*DTA last use date 5 year*	*DTA last use date 6 year*	*DTA last use date Between 7 and 11 years*	*DTA last use date > 11 years*	*DTA last use date No due date*	***TOTAL***
DTA on taxable transferred losses									33.959	33.959
Other deferred tax assets	2.047	3.460	13	336	38.602			3.377	62.551	110.386
TOTAL DTA	**2.047**	**3.460**	**13**	**336**	**38.602**	**0**	**0**	**3.377**	**96.510**	**144.345**

Table 14.8

Deferred tax assets as on the last use date

31/12/2014	*DTA last use date 1 year*	*DTA last use date 2 year*	*DTA last use date 3 year*	*DTA last use date 4 year*	*DTA last use date 5 year*	*DTA last use date 6 year*	*DTA last use date Between 7 and 11 years*	*DTA last use date > 11 years*	*DTA last use date No due date*	***TOTAL***
DTA on taxable transferred losses	0	0	0	0	0	0	0	0	32.959	32.959
Other deferred tax assets	66	13	13	4.326	423	50.801	268	0	93.041	148.951
TOTAL DTA	**66**	**13**	**13**	**4.326**	**423**	**50.801**	**268**	**0**	**126.000**	**181.910**

Table 14.9

Deferred tax liabilities per expected date of utilization

31/12/2015	*Deferred tax liability- expected date of utilization* *1 year*	*Deferred tax liability- expected date of utilization* *2 year*	*Deferred tax liability- expected date of utilization* *3 year*	*Deferred tax liability- expected date of utilization* *4 year*	*Deferred tax liability- expected date of utilization* *5 year*	*Deferred tax liability- expected date of utilization* *6 year*	*Deferred tax liability- expected date of utilization* *Between 7 and 11 years*	*Deferred tax liability- expected date of utilization* *> 11 years*	*Deferred tax liability- expected date of utilization* *No date determined*	***TOTAL***
Other deferred tax liabilities	14.439	29.808	33.912	520	47.529	309	4.191	45.696	577	176.981
TOTAL DTL	14.439	29.808	33.912	520	47.529	309	4.191	45.696	577	176.981

Table 14.10

Deferred tax liabilities per expected date of utilization

31/12/2014	*Deferred tax liability- expected date of utilization* *1 year*	*Deferred tax liability- expected date of utilization* *2 year*	*Deferred tax liability- expected date of utilization* *3 year*	*Deferred tax liability- expected date of utilization* *4 year*	*Deferred tax liability- expected date of utilization* *5 year*	*Deferred tax liability- expected date of utilization* *6 year*	*Deferred tax liability- expected date of utilization* *Between 7 and 11 years*	*Deferred tax liability- expected date of utilization* *> 11 years*	*Deferred tax liability- expected date of utilization* *No date determined*	***TOTAL***
Other deferred tax liabilities	925	10.421	7.092	480	74.221	9.365	45.940	39.192	299	187.935
TOTAL DTL	925	10.421	7.092	480	74.221	9.365	45.940	39.192	299	187.935

Table 14.11

Deferred tax liability as on the last use date

31/12/2015	*DTL last use date* *1 year*	*DTL last use date* *2 year*	*DTL last use date* *3 year*	*DTL last use date* *4 year*	*DTL last use date* *5 year*	*DTL last use date* *6 year*	*DTL last use date* *Between 7 and 11 years*	*DTL last use date* *> 11 years*	*DTL last use date* *No due date*	***TOTAL***
Other deferred tax liability	5.078	4.602	392	10.881	57.617	21.565	30.573	189	46.084	176.981
TOTAL DTL	5.078	4.602	392	10.881	57.617	21.565	30.573	189	46.084	176.981

Table 14.12

Deferred tax liability as on the last use date

31/12/2014	*DTL last use date* *1 year*	*DTL last use date* *2 year*	*DTL last use date* *3 year*	*DTL last use date* *4 year*	*DTL last use date* *5 year*	*DTL last use date* *6 year*	*DTL last use date* *Between 7 and 11 years*	*DTL last use date* *> 11 years*	*DTL last use date* *No due date*	***TOTAL***
Other deferred tax liability	116	10.421	7.092	480	75.025	9.365	45.940	5	39.491	187.935
TOTAL DTL	116	10.421	7.092	480	75.025	9.365	45.940	5	39.491	187.935

Table 14.13

15 Cash and balances with central banks

Cash and balances with central banks in '000 EUR	2015.12	2014.12
Cash and balances with central banks	337.156	386.474
TOTAL	337.156	386.474

Table 15.1

16 Loans and receivables

Counterparty breakdown 2015.12 in '000 EUR	Unimpaired assets	Impaired assets (total carrying amount)	of which forbearance measurements	< Allowances for individually assessed financial assets >	< Allowances for collectively assessed financial assets >	Total net carrying amount
Debts instruments issued by						
Central governments						
Credit institutions						
Non credit institutions						
Corporate						
Loans and receivables to	19.489.767	386.367	188.268	-75.760	-34.441	19.765.932
Central governments	167					167
Credit institutions	1.265.904					1.265.904
Non credit institutions	1.673.968	5.120	10.143	-1.812	-51	1.677.225
Corporate	815.353	39.695	13.537	-14.245	-582	840.221
Retail	15.734.374	341.551	164.588	-59.703	-33.808	15.982.415
Accrued income (if accounted for separately)						
TOTAL	**19.489.767**	**386.367**	**188.268**	**-75.760**	**-34.441**	**19.765.932**

Table 16.1

Counterparty breakdown 2014.12 in '000 EUR	Unimpaired assets	Impaired assets (total carrying amount)	of which forbearance measurements	< Allowances for individually assessed financial assets >	< Allowances for collectively assessed financial assets >	Total net carrying amount
Debts instruments issued by						
Central governments						
Credit institutions						
Non credit institutions						
Corporate						
Loans and receivables to	25.442.678	510.938	156.276	-198.787	-91.535	25.663.294
Central governments	16.249					16.249
Credit institutions	2.542.831					2.542.831
Non credit institutions	5.975.317	3.907	5.230	-1.623	-106	5.977.495
Corporate	832.514	31.456	13.706	-14.965	-558	848.447
Retail	16.075.768	475.575	137.340	-182.199	-90.870	16.278.273
Accrued income (if accounted for separately)						
TOTAL	**25.442.678**	**510.938**	**156.276**	**-198.787**	**-91.535**	**25.663.294**

Table 16.2

Loans and receivables (excluding credit institutions) 2015.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		962.374		
Consumer Credit		3.287	3.640	839.980
Mortgage loans		47.734	796	14.809.307
Term loans	167	428.432	817.802	216.253
Current accounts		3.067	17.983	52.453
Other		232.331		64.422
TOTAL	167	1.677.225	840.221	15.982.415

Table 16.3

Loans and receivables (excluding credit institutions) 2014.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		4.291.852		
Consumer Credit		3.080	3.515	903.616
Mortgage loans		30.643	901	15.023.749
Term loans	46	301.225	825.036	216.411
Current accounts		3.022	18.995	54.035
Other	16.202	1.347.672		80.462
TOTAL	16.249	5.977.495	848.447	16.278.273

Table 16.4

Regarding 2015 for "loans and receivables", 1.163 million euros (2.212 million euros in 2014) matures within one year.

In comparing the above figures between the previous and current year should therefore be taken into account with a netting effect by December 31, 2015 of 977 063 million euro.

The decrease between 2014 and 2015 is due to 599 million euros to the reclassification in 2015 of the branch of Hungary as a discontinued operation.

17 Financial assets designated at fair value through profit or loss

Counterparty breakdown Bookvalue in '000 EUR	2015.12	2014.12
Equity instruments		
Quoted		
Unquoted but FV determinable		
Debt instruments issued by		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income if accounted for separately		
TOTAL	0	0

Table 17.1

18 Available-for-sale financial assets

Counterparty breakdown 2015.12 in '000 EUR	Fair value of unimpaired assets	Fair value of impaired assets	Total net carrying amount	< Impairment >
Equity	6.835	23	6.857	11
Quoted	56		56	
Unquoted but FV determinable	70		70	
Equity instruments at cost	6.708	23	6.731	11
Debt instruments issued by	7.831.770		7.831.770	
Central governments	7.082.401		7.082.401	
Credit institutions	749.369		749.369	
Non credit institutions	0			
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	**7.838.604**	**23**	**7.838.627**	**11**

Table 18.1

Counterparty breakdown 2014.12 in '000 EUR	Fair value of unimpaired assets	Fair value of impaired assets	Total net carrying amount	< Impairment >
Equity	6.791	23	6.814	11
Quoted	57		57	
Unquoted but FV determinable	26		26	
Equity instruments at cost	6.708	23	6.731	11
Debt instruments issued by	9.257.014		9.257.014	
Central governments	8.397.186		8.397.186	
Credit institutions	374.312		374.312	
Non credit institutions	485.515		485.515	
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	**9.263.804**	**23**	**9.263.827**	**11**

Table 18.2

19 Trading assets

Counterparty breakdown in '000 EUR	2015.12	2014.12
Derivatives held for trading	1.554.504	6.412.156
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by	1.169	310
Central governments		
Credit institutions	1.169	
Non credit institutions		
Corporate		310
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	**1.555.673**	**6.412.466**

Table 19.1

After legal review and adjustment of some clauses in the contracts, the netting conditions of IAS32 were fulfilled at year-end 2015 for the following counterparties: HSBC, Credit Suisse, AXA Life Europe and AXA Life Invest Reinsurance. When comparing the aforementioned figures between the previous and current financial year account, a netting impact at 31 December 2015 of 3.228.787 Keuro, should therefore also be taken into account.

20 Impairment charge for credit losses

2015.12 In '000 EUR	Overdue ≤ 90 days	Overdue > 90 days & ≤ 180 days	Overdue > 180 days & ≤ 1 year	Overdue > 1 year	Net carrying amount of the impaired assets	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	of which forbearance	Collateral and other credit enhancements received as security for the related impaired and past due assets
Equity instruments									
Quoted									
Unquoted but FV determinable									
Equity instruments at cost									
Debt instruments									
Central governments									
Credit institutions									
Non credit institutions									
Corporate									
Loans & advances	1.114.486	637	111	41	276.165	75.760	22.479	2.717	
Central governments	36								
Credit institutions									
Non credit institutions	25.760	5	8	1	3.257	1.812	51	24	
Corporate	48.132	60	64	13	24.868	14.245	582	757	
Retail	1.040.557	572	39	27	248.040	59.703	21.846	1.936	
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	115.758				15.982		10.217	211	
Mortgage loans	903.280	447			223.828	41.164	10.496	1.725	
Term loans	14.449				4.635	9.011	915		
Current accounts	7.069	125	39	27	3.267	7.129	218		
Other					329	2.399			
Other financial assets									
TOTAL	**1.114.486**	**637**	**111**	**41**	**276.165**	**75.760**	**22.479**	**2.717**	

Allowances for incurred but not reported losses on financial assets							11.962		
Non specifically attributable collaterals									

Table 20.1

2014.12 In '000 EUR	Overdue ≤ 90 days	Overdue > 90 days & ≤ 180 days	Overdue > 180 days & ≤ 1 year	Overdue > 1 year	Net carrying amount of the impaired assets	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	of which forbearance	Collateral and other credit enhancements received as security for the related impaired and past due assets
Equity instruments					23				
Quoted									
Unquoted but FV determinable					23				
Equity instruments at cost									
Debt instruments									
Central governments									
Credit institutions									
Non credit institutions									
Corporate									
Loans & advances	1.374.428	4.251	195	163	220.623	198.787	63.401	1.459	
Central governments									
Credit institutions									
Non credit institutions	27.304	8	0	1	2.178	1.623	106	23	
Corporate	68.525	704	48	39	15.934	14.965	558	608	
Retail	1.278.599	3.538	147	124	202.512	182.199	62.737	828	
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	142.311	834			17.035	23	13.667	56	
Mortgage loans	1.111.841	2.382			175.566	167.344	50.349	772	
Term loans	18.147	46			6.468	4.429	-1.488		
Current accounts	6.300	275	147	124	3.088	7.581	209		
Other									
Other financial assets					355	2.822			
TOTAL	**1.374.428**	**4.251**	**195**	**163**	**220.978**	**201.609**	**63.401**	**1.459**	

Allowances for incurred but not reported losses on financial assets							28.133		
Non specifically attributable collaterals									

Table 20.2

Overview of impairment 2015.12 in '000 EUR	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	57.682	29.761	27.920
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity			
Loans and receivables measured at amortized cost (including finance leases)	57.682	29.761	27.920
Held to maturity investments measured at amortized cost			
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible fixed assets			
Goodwill			
Other			
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	57.682	29.761	27.920
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table 20.3

Overview of impairment 2014.12 in '000 EUR	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	121.446	67.318	54.128
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity		3.669	-3.669
Loans and receivables measured at amortized cost (including finance leases)	121.446	63.649	57.797
Held to maturity investments measured at amortized cost			
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible assets			
Goodwill			
Other			
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	121.446	67.318	54.128
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table 20.4

For 2014 there is net 26.436 Euro related to the branch of Hungary, reported in 2015 as a discontinued operation within loans and advances.

The amount recorded as "maximum credit risk" refers to the recorded book value except for loans and advances where the unused permitted margin was also added.

Credit exposure 2015.12 in '000 EUR	*Maximum credit exposure*
Equity	6.857
Debt instruments	7.831.770
Loans & advances	19.765.932
	1.051.391
Derivatives	1.554.504
Other	101.635
TOTAAL	**30.312.089**

Carrying amount of financial assets pledged as collateral for	7.624.691
Liabilities	5.986.939
Contingent liabilities	1.637.752

Table 20.7

Credit exposure 2014.12 in '000 EUR	*Maximum credit exposure*
Equity	6.814
Debt instruments	9.257.014
Loans & advances	25.663.294
	1.188.333
Derivatives	6.582.081
Other	91.938
TOTAAL	**42.789.474**

Carrying amount of financial assets pledged as collateral for	11.816.255
Liabilities	10.169.026
Contingent liabilities	1.647.229

Table 20.8

The decrease between 2014 and 2015 is due to 599 million euros to the reclassification in 2015 of the branch of Hungary as a discontinued operation.

After legal review and adjustment of some clauses in the contracts the netting requirements of IAS32 are at the end of 2015 to fulfil the following counterparties: HSBC, Credit Suisse, AXA Life Europe and AXA Life Invest Reinsurance. In comparing the above figures between the previous and current year should therefore be taken into account with a netting effect by December 31, 2015 of 3.228.787 Keuro.

Allowances movements for credit losses 2015.12 in '000 EUR	Opening balance	Write-down taken against the allowance	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjustments	Transfers between allowances	Closing balance
Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets							
	262.188		2.707	-774	-165.881		98.240
Allowances for incurred but not reported losses on financial assets							
	28.133		794		-16.965		11.962
TOTAAL	**290.321**		**3.501**	**-774**	**-182.846**		**110.202**

Table 20.5

Allowances movements for credit losses 2014.12 in '000 EUR	Opening balance	Write-down taken against the allowance	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjustments	Transfers between allowances	Closing balance
Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets							
	248.662		119.969	-65.572	-40.872		262.187
Allowances for incurred but not reported losses on financial assets							
	25.993		1.478	-1.746	2.409		28.134
TOTAL	**274.655**		**121.447**	**-67.318**	**-38.463**		**290.321**

Table 20.6

The amounts included under the column 'other adjustments' are related to the reclassification in 2015 of the branch of Hungary as a discontinued operation.

For the rules applied regarding the accounting of impairments we refer to section 2.2 and 2.3 above.

<u>Received collateral</u>

AXA Bank Europe does not own collateral, which it is permitted to sell or repledge in the absence of default by the debtor, except for:
- Collateral received as part of repo/reverse repo transactions
- Collateral received as part of a number of derivative transactions
- Collateral received with respect to collateralized deposits.

They are regularly re-used as collateral within the framework of repo transactions or as part of ECB monetary policy (security used for tender or intraday credit granting).

Should a counterpartyparty remain in default, we shall become the legal owner of those securities and be entitled (under the ISDA and GMRA contracts concluded with these counterparties) to convert them into cash and not to be dependent on a defaulting opposing party.

<u>Retail collateral</u>

- <u>Collateral for mortgage loans</u>

The credit must be fully guaranteed by a mortgage (recording or mandate) on real property (full property). The property should be be normally marketable.

Property guarantees are required by law. The mortgage guarantees that must be provided can be reused in the context of potential subsequent mortgage loans.

All guarantees complementing mortgage guarantees must be provided before registering the loan (this also, therefore applies to additional collateral securities). Ideally, a mortgage mandate is usually drawn up for both the property to be bought and the property to be sold in the case of a bridge loan.

See 4.3.1. Credit risk in Hungary for further details on the specific credit situation in Hungary

- <u>Collateral for personal credits</u>

These guarantees are the following:

- ***real guarantees*** concern a property, movable or immovable, with an intrinsic value.
- ***personal guarantees*** consist of claims against a person.
- ***moral undertakings*** provide no means of enforcement to the bank and rely on the honesty of those that have issued them.

A list of guarantees regularly used for professional credits at AXA Bank Europe appears below.

Fair guarantees

- Mortgage and mortgage registration
- Authentic pledging of business
- Subrogation to the benefit of the seller of movable property
- Securities collateral
- Pledging of account balance
- Transfer of all "traditional life insurance" rights
- Transfer of all insurance policy rights Branch 21, 23
- Transfer of salary

Personal or moral guarantees

- Security
- Mortgage mandate
- Irrevocable commitment by a third party

- <u>Collateral for instalment loans</u>

For consumer credits only one type of guarantee is used:

- Transfer of debt collection or act of relinquishment of wages and other income

- <u>Treasury and derivatives guarantees</u>

At this time the only guarantees received by AXA Bank Europe are those regarding repo activities or derivatives. This is all contingent upon fluctuations in the market value of the deals:

In the framework of the “Global master repurchase agreement”, (GMRA) AXA Bank Europe only accepts government bonds. Since August 2007, however, we have concluded one GMRA with AXA IM in which we also accepted “non-governmental” paper. This kind of security is only accepted if it is accepted as collateral by the ECB..

We make a distinction between 2 types of collateral in the repo activity: on the one hand, the collateral received at the time a new deal is concluded; on the other hand the collateral required during the term of the deals according to the fluctuation of the market value of the initially provided collateral. For French counterparties this additional collateral will always be settled in cash (at EONIA compensation rate). This however contrasts with the time of the initiation of the transaction when only securities are accepted as collateral. We also have tripartite repo activities where Clearstream or Euroclear ensure that we receive sufficient collateral at all times from our counterparties insofar as the said collateral is included in our “collateral basket”.

In derivatives activities, the general rule applies that collateral is actively requested. Only cash (at Eonia compensation rate) and Belgian, German, Italian, French, Swiss and UK government bonds with a residual term of at least one year and at the most 10 will be considered for this collateral. An exception to this rule is the American counterparties. For these counterparties, American securities will also be accepted in CSAs with a minimum term of one year and a maximum term of 10 years. For one counterparty, AXA Reinsurance Ireland, we also accept government bonds in Japanese yen.

21 Derivatives kept for hedging

Derivatives encompass swaps, futures and options contracts. Their value include underlying variables such as interest rates, currency exchange rates, the price of goods or underlying share prices.

As part of its banking activity AXA Bank Europe makes use of the following derivative financial instruments classed in accordance with the possible classifications under IFRS.

- **Fair value hedges**

AXA Bank Europe makes use of interest rate swaps with the aim of covering the fair value changes of the mortgage portfolio following fluctuations of the interest rate as well as the spread between mortgage credits (based on long-term interest) and the financing used (short-term interest).

For a part of the fixed mortgage loan portfolio the “fair value hedge” model is used. This model has been applied since 1 April 2005. The existing hedge accounting relationship was replaced in July 2009 by a new model to enhance the effectiveness of the relationship. A fair value hedge is a relationship between derivatives and underlying financial instruments documented in a fair value hedge of the underlying hedged item instrument. The effectiveness of the hedge is checked periodically through prospective and retrospective testing. If the model is effective, the gain or loss from remeasuring with respect to the covered portion of the mortgage loan portfolio is recognised in the income statement in the same manner as the fair value changes of the relevant derivatives.

Asset swaps: a number of bond positions are covered individually with an interest rate swap. If the fair value hedge can be shown, the gain or loss from remeasuring with respect to the bond’s interest risk is also recognised in the income statement.

The fair value changes of the hedged risk are written off, with, among others, an improvement in this method in 2007, which leads to a difference in value adjustment between the hedged risk and the derivative.

AXA Bank Europe has purchased interest rate caps on the market to cover the margin on the portfolios of mortgage loans with variable interest rates of AXA Bank Europe. This ensures that AXA Bank Europe covers the risk of fair value changes of the written cap option enclosed in the mortgages due to fluctuations in the Euribor interest rate. The cover has the form of a dynamic portfolio hedge. The model is regularly reviewed to add new hedge instruments and to take into account new mortgage loans. The efficiency of the model is tested quarterly using regression analysis. This new model has been applied since July 2010.

The covered bonds issued by AXA Bank Europe are covered by interest rate swaps. These swaps are a part of a micro fair value hedge. The efficiency of the model is tested quarterly using regression analysis. When it is deemed efficient, the value change in the fair value of the bond as a result of covering the interest rate risk is recognised in the profit and loss account.

- **Cash flow hedge**

The strategy including covering floating liabilities was stopped in 2015. By contrast, what started was covering latencies in one portion of the investment portfolio by means of closing forward contracts in a horizon running until 2017. This thus involves a strict micro-hedge structure with the intention of insuring the bank over the cash flows to be received. The anticipated positive impact on the result amounts to €19.9 million for 2016, and €21.4 million for 2017. These transactions are documented as cash flow hedges where the hedged item the hedged item reflects perfectly.

- **Fair value option**

The fair value option is applied in a number of cases:

- The “fair value option” is applied for asset swaps under IFRS in some portfolios, where the economically related instruments, in this case the bonds, are also recognised at fair value in the balance sheet with their fair value changes recognised in the income statement. To do so, an internal model is used based on discounted future cash flows.

- The “fair value option” is also applied to structured deposits, hedged with equity swaps, which are faced with the issuance of EMTNs. This takes place in accordance with the principle of close economic correlation between both since the use of these instruments fits into the management of a maximum risk position. The determination of the fair values takes place on the basis of prices obtained from reliable market participants. These prices obtained externally are validated internally.

- Some funds in the investment portfolio are designated at fair value through profit and loss.

- **Freestanding derivatives**

Macro-hedge activity

In order to further cover the mortgage portfolio more complex interest rate swaps, caps and swaptions are used. This is a macro-hedge, which is accounted for under IFRS as a stand-alone trading instrument.

The same applies to the use of interest rate swaps and swaptions in the context of ALM management.

Trading activity

We also find interest rate swaps, total return swaps, FX swaps, futures and swaptions in the trading portfolio.

- **Netting:**

After legal review and adjustment of some clauses in the contracts the netting requirements of IAS32 are at the end of 2015 to fulfil the following counterparties: HSBC, Credit Suisse, AXA Life Europe and AXA Life Invest Reinsurance.

Derivatives – held for trading purposes

By nature	By type 2015.12 in '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	6.101.421	17.959	16.721
	IRS	59.053.900	1.351.436	807.971
	FRA			
	Forward			
	Interest future	856.521		
	Other	752.133		
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	6.121.943	102.111	8.740
Currency (FX)	FX forward	4.886.807	79.471	32.178
	FX future			
	Cross currency swap	296.411	3.527	35.101
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
Accrued income / expenses (if accounted for separately)				
TOTAL		78.069.137	1.554.504	900.712

Table 21.01

By nature	By type 2014.12 in '000 EUR	*Notional amount*	*Carrying amount Assets*	*Carrying amount Liabilities*
Interest rate	Option / Cap / Floor / Collar / Swaption	12.151.484	451.555	448.649
	IRS	62.837.401	5.761.469	5.683.810
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	4.620.258	120.762	16.700
Currency (FX)	FX forward	5.594.592	73.544	64.151
	FX future			
	Cross currency swap	564.244	4.825	27.420
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
Accrued income / expenses (if accounted for separately)				
TOTAL		85.767.979	6.412.156	6.240.730

Tabel 21.02

In comparing the above figures between the previous and current year should therefore be taken into account with a netting effect by December 31, 2015 of 506 426 Keuro.

Derivatives – administrative treatment of hedging activities (micro hedging)

By type of risk	By instrument 2015.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	49.672	208.637	6.549.000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		49.672	208.637	6.549.000
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS			
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
FULL Cash flow hedge	Forward Sale debt security	61	16.070	884.000
TOTAL		61	16.070	884.000
Hedges of a net investment in a foreign operation				
TOTAL		49.733	224.707	7.433.000

By type of risk	By instrument 2014.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	169.925	405.724	7.316.000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		169.925	405.724	7.316.000
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS		38.855	200.000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL			38.855	200.000
Hedges of a net investment in a foreign operation				
TOTAL		169.925	444.579	7.516.000

Hedging of interest rate risk on portfolio level (macro hedging)

Hedging of interest rate portfolio 2015.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges	76.393	319.826	6.310.662
Cash flow hedges			

Hedging of interest rate portfolio 2014.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges	2.134	656.146	4.498.119
Cash flow hedges			

In comparing the above figures between the previous and current year, should therefore be taken into account with a netting effect by December 31, 2015 of 301.556 Keuro.

22 Other assets

Carrying amount in '000 EUR	2015.12	2014.12
Employee benefits	92.759	83.982
Servicing assets for servicing rights		
Prepaid charges	921	1.089
Accrued income (other than interest income from financial assets)	6.809	4.521
Precious metals, goods and commodities		
Other advances	46	46
Other	1.099	2.301
TOTAL	**101.635**	**91.938**

Table 22.1

23 Investments in associates, subsidiaries and joint ventures

AXA Bank Europe has the following limited number of subsidiaries:

- AXA Belgium Finance bv (NL)benefits
- AXA Bank Europe SCF (Société de Crédit Foncier)
- Motor Finance Company N.V.
- Beran NV

AXA Bank Europe holds a participation of 10% in the SPV Royal Street.

A fair representation of the consolidated position requires that SPV is included and this in line with SIC-12 principles.

The interest rate risk remains at ABE given the mutual exchange of interest payments via a Total Return Swap. The credit risk also remains on the balance sheet of AXA Bank Europe as the junior-branches of RMBS, issued by SPV, would be impacted first in the case of credit default.

In addition, it also holds a 20% stake in Bancontact Mister Cash (formerly Brand & Licence Company). Alongside AXA Bank Europe, four other banks each own 20% in this company. The firm aims to manage and license intellectual property rights, whether or not related to payment schemes with cards and all other related transactions.

Every shareholder is entitled to 1 director for each 20% bracket of the share ownership and the decisions of the Board must be taken with a majority of 4/5. Because of its low materiality, this company is not included in the consolidation scope.

AXA Belgium Finance bv was included in the consolidation scope. This is a Dutch private limited company, which issues securities and other debt instruments on the Luxembourg securities market.

SPV Royal Street and AXA Bank Europe SCF are two entities that are used by AXA Bank Europe to attract funds in addition to the more traditional forms of retail financing through securitisation operations and issue of covered bonds.

The structure as it has now been set up does not have a transfer of risk or rewards as a result of the total return swap between AXA Bank Europe and SPV Royal Street. Both entities were thus integrally included in the AXA Bank Europe consolidation scope.

The funds of these subordinated loans were used for the establishment of a reserve fund in the SPV which has never been applied to date.

To support its operation, AXA Bank Europe has granted a subordinated loan of EUR 64 million to the SPV.

No changes to the consolidation scope during the 2015 financial year concerning legal entities. However, AXA Bank Europe decided at year-end 2014 to dismantle its IT centre in Poland. After transferring IT activities to the IT teams in Belgium during 2015, the final formal removal of the branch was realised on 26 January 2016.

	Entiteit 2015.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
Summarised financial information of subsidiaries and joint ventures	Accounted for by using full consolidation :					
	AXA Belgium Finance bv (NL)	100,00%	1.643.906	1.638.622	721	31/12/2014
	SPV Royal Street	10,00%	6.434.153	6.420.631		31/12/2014
	AXA BANK Europe SCF	100,00%	4.793.032	4.678.508	2.972	31/12/2014
	Entiteit 2015.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Not accounted for by using full consolidation :					
	Beran N.V.	100,00%	2.057	14	-22	31/12/2014
	Motor Finance Company N.V.	100,00%	11.398	7.295	357	31/12/2014
	Bancontact-Mister Cash (voorheen Brand & Licence Cy)	20,00%	9.501	3.866	464	31/12/2014

Table 23.1

<u>Further explanation regarding these companies that have not been included in the consolidation scope of AXA Bank Europe in view of the intangible nature:</u>

Motor Finance Company N.V.

This is the vehicle in which investments in self-banking devices , which are leased to agents,

are housed

Beran NV

On 22 January 2008, Beran NV purchased the residual rights and the emphyteutic lease relating to immovable property located at Grote Steenweg 214 in Berchem resulting in the termination of co-ownership with Fortis.

24 Goodwill and other intangible assets

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

Intangible fixed assets relating to a branch in Poland experienced exceptional impairment following the decision to close the branch for an amount of 15K EUR.

AXA Bank Europe launched an IT transformation program called SWITCH. The essence of the programme is to replace the core retail systems & processes by adopting one banking package and simplify the periphery architecture by questioning all interfaces. The P&L impact for 2015 is EUR 4.1 million.

Other intangible assets accounted for by using the revaluation model **2015.12** **in '000 EUR**	*Goodwill*	*Internally developed software*	*Acquired software*	*Other internally developed intangible assets*	*Other intangible assets*	*Total carrying amount*
Opening balance		3.888	1.394		165	5.447
Additions from internal development		4.802	110			4.912
Additions from separate acquisition						
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		1.758	383			2.141
Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity						
Impairment recognized in profit or loss			-1.508		-165	-1.673
Impairment reversed in profit or loss						
Foreign currency translation effects						
Other movements		-46	387			341
Ending balance		**6.886**	**0**		**0**	**6.885**
Amortization financial year		1.758	383			**2.141**
Amortization previous year		11.767	2.629		7	14.402
Cumulated Amortization		**13.525**	**3.012**		**7**	**16.543**

Table 24.1

Other intangible assets accounted for by using the revaluation model **2014.12** **in '000 EUR**	*Goodwill*	*Internally developed software*	*Acquired software*	*Other internally developed intangible assets*	*Other intangible assets*	*Total carrying amount*
Opening balance		5.628	2.204		8	7.840
Additions from internal development		99				99
Additions from separate acquisition			84		158	242
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		1.840	895		1	2.735
Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity						
Impairment recognized in profit or loss						
Impairment reversed in profit or loss						
Foreign currency translation effects						
Other movements						
Ending balance		**3.888**	**1.394**		**165**	**5.447**
Amortization financial year		1.840	895		1	**2.735**
Amortization previous year		9.927	1.734		6	**11.667**
Cumulated Amortization		**11.767**	**2.629**		**7**	**14.402**

Table 24.2

In 2014, 770Keur within acquired software was related to the Hungarian branch which was reported in 2015 as discontinued operation.

25 Property, plant and equipment

PPE measured after recognition using the revaluation model 2015.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	43.321	1.143	65	1.250	45.779
Additions	625		295	7	927
Acquisition through business combinations					
Disposals					
Disposals through business combinations					
Depreciation	1.844	290	14	55	2.203
Impairment losses recognized in profit or loss		282	49	807	1.138
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers					
To and from non-current assets held for sale					
To and from investment property					
Other changes	-1.600	-340		-46	-1.986
Ending balance	**40.502**	**231**	**298**	**349**	**41.379**
Amortization financial year	1.844	290	14	55	2.203
Amortization previous year	24.818	1.613	2.005	426	28.862
Cumulated Amortization	**26.662**	**1.903**	**2.019**	**481**	**31.065**

Table 25.1

PPE measured after recognition using the revaluation model 2014.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	40.301	1.257	3.182	1.013	45.753
Additions	0	308	1.776	360	2.444
Acquisition through business combinations					
Disposals					
Disposals through business combinations					
Depreciation	1.845	422	28	124	2.419
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers					
To and from non-current assets held for sale					
To and from investment property					
Other changes	4.865		-4.865		
Ending balance	**43.321**	**1.143**	**65**	**1.250**	**45.779**
Amortization financial year	1.845	422	28	124	2.419
Amortization previous year	22.973	1.191	1.977	302	26.443
Cumulated Amortization	**24.818**	**1.613**	**2.005**	**426**	**28.862**

Table 25.2

In 2014, 209 Keur was related to the branch of Hungary, reported in 2015 as a discontinued operation. 32Keur was related to owner occupied property, 98Keur as IT equipment, 17Keur as office equipment and 62Keur as other equipment.

26 Financial liabilities designated at fair value through the income statement

We find EMTN (European Medium-term Note) issue programmes in the debt certificates that were launched in 2006 and since 2011 through AXA Belgium Finance. AXA Bank Europe has opted for valuiation at fair value within this context and has therefore included these issues in the balance sheet at their market value.

We chose to evaluate the OCR based on EMTN according to the spread AXA Bank Europe pays in the primary market - as defined at the reporting date - since much larger volumes are traded on the primary than on the secondary market. That is why they offer a more adequate assessment of our credit risk on the retail market.

This fair value amounted to a total of EUR 1.633 million with a nominal amount of EUR 1.497 million on 31 December 2015. This was spent in 2015 for a nominal amount of 10.3 million euros by AXA Bank Europe itself.

The Year-To-Date impact of the share in the bank's own credit risk in the amount of the fair value resulted in a decrease of EUR 38 million of the fair value of the liabilities.

Up to 2008, the share of the bank's own credit risk was calculated based on the fair value of the margin applied by AXA Bank Europe to issues for private investors. Since there were no issues in 2009 and 2010, the calculation was based on the Credit Default Swap on AXA Bank Europe in 2009 and 2010. The issue programme launched this year allows the bank once again to use the margin applied to issues for private investors. The bank has, therefore, decided to switch to this technique because it correctly mirrors the context of the private investor market on which the issues focus.

This method calculates the difference between the margin's level that AXA Bank Europe applies to the issues for private investors on the date of issue and the same level on the reporting date.

This difference is used to determine the cash flow at the date of each coupon. They are then discounted to determine the credit risk ratio for each issue.

Counterparty breakdown 2015.12 in '000 EUR	Carrying amount	Amount of cumulative change in fair values attributable to changes in credit risk	Difference between the carrying amount and the amount contractually required to pay at maturity
Deposits from credit institutions			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Deposits (other than from credit institutions)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1.633.560	7.669	-159.651
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.633.560	7.669	-159.651
Convertible			
Non-convertible	1.633.560	7.669	-159.651
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	1.633.560	7.669	-159.651

Table 26.1

Counterparty breakdown 2014.12 in '000 EUR	Carrying amount	Amount of cumulative change in fair values attributable to changes in credit risk	Difference between the carrying amount and the amount contractually required to pay at maturity
Deposits from credit institutions			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Deposits (other than from credit institutions)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1.613.123	46.487	-207.297
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.613.123	46.487	-207.297
Convertible			
Non-convertible	1.613.123	46.487	-207.297
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	1.613.123	46.487	-207.297

Table 26.2

27 Deposits

Counterparty breakdown 2015.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions					10.783
Current accounts / overnight deposits					10.783
Deposits with agreed maturity					
Deposits redeemable at notice					
Other deposits					
Deposito's (andere dan van kredietinstellingen)	178.864	1.139.721	1.077.886	14.592.527	16.988.998
Current accounts / overnight deposits	18.461	540.427	786.279	1.568.409	2.913.576
Deposits with agreed maturity	5.544	516.088	60.298	1.450.529	2.032.460
Deposits redeemable at notice					
Other deposits	154.859	83.205	231.308	11.573.589	12.042.962
Special deposits					
Regulated deposits	666	51.693	119.402	11.570.416	11.742.176
Mortgages related deposits					
Other deposits	154.194	31.513	111.906	3.173	300.785
Deposit guarantee system					
Debt certificates (including bonds)					3.249.269
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					162.517
Convertible					
Non-convertible					162.517
Other					3.086.753
Subordinated liabilities					117.807
Other financial liabilities					1.099.998
Accrued expenses (if accounted for separately)					
TOTAL					**21.466.856**

Table 27.1

Counterparty breakdown 2014.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions					94.212
Current accounts / overnight deposits					24.777
Deposits with agreed maturity					69.422
Deposits redeemable at notice					12
Other deposits					
Deposito's (andere dan van kredietinstellingen)	33.053	1.041.149	1.173.500	14.831.186	17.078.887
Current accounts / overnight deposits	14.732	315.934	746.530	1.571.025	2.648.220
Deposits with agreed maturity	18.250	666.019	212.403	2.119.460	3.016.132
Deposits redeemable at notice					
Other deposits	71	59.196	214.567	11.140.700	11.414.535
Special deposits					
Regulated deposits	71	48.468	114.490	11.137.774	11.300.802
Mortgages related deposits					
Other deposits		10.728	100.077	2.927	113.733
Deposit guarantee system					
Debt certificates (including bonds)					3.288.697
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					242.347
Convertible					
Non-convertible					242.347
Other					3.046.351
Subordinated liabilities					168.667
Other financial liabilities					2.976.563
Accrued expenses (if accounted for separately)					
TOTAL					**23.607.027**

Table 27.2

In comparing the above figures between the previous and current year, should therefore be taken into account with a netting effect by December 31, 2015 of 169.081 Keuro.

The decrease between 2014 and 2015 for 138 million due to the reclassification in 2015 of the branch of Hungary as a discontinued operation.

28 Subordinated liabilities

Maturity date 2015.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		12.135		
Current year +2		45.020		
Current year +3		12.014		
Current year +4		4.129		
Current year +5		3.505		
Current year +6		2.911		
Current year +7				
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		38.093		
TOTAL		117.807		

Table 28.1

Maturity date 2014.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		25.686		
Current year +2		9.924		
Current year +3		45.020		
Current year +4		12.014		
Current year +5		4.129		
Current year +6		3.505		
Current year +7		2.911		
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		65.478		
TOTAL		168.667		

Table 28.2

29 Financial obligations retained for trading objectives

Table A : Counterparty breakdown 2013.12 in '000 EUR	2015.12	2014.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	900.712	6.240.730
Short positions	57	9
In equity instruments		
In fixed income instruments	57	9
Deposits (other than from credit institutions)		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Debt certificates (including bonds)		
Certificates of deposits		
Customer saving certificates (also when dematerialised)		
Bonds		
Convertible		
Non-convertible		
Other		
Other financial liabilities		
Accrued expenses (if accounted for separately)		
TOTAL	**900.768**	**6.240.739**

Table 29.1

Regarding the impact of applying IAS 32 netting, we refer to the comments to table 19. Netting impact 3.735.212 Keuro

30 Other liabilities

Carrying amount in '000 EUR	2015.12	2014.12
Employee benefits	476	2.531
Social security charges	22.819	29.614
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	2.825	1.858
Income received in advance	1.641	2.756
Other debts	36.031	30.191
Other	-14	0
TOTAL	**63.778**	**66.951**

Table 30.1

31 Provisions

2015.12 in '000 EUR	Restructuring	Provisions for Tax litigation and pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Other provisions	TOTAL
Opening balance		34.590	173.199	1.784	119.563	329.136
Additions			5.934		5.627	11.561
Amounts used			-9.541	-717	-7.858	-18.116
Unused amounts reversed during the period						
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements		-46	-14.884	-749	-97.896	-113.574
Closing balance		34.544	154.708	318	19.436	209.007

Table 31.1

2014.12 in '000 EUR	Restructuring	Provisions for Tax litigation and pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Other provisions	TOTAL
Opening balance	87	35.128	154.052	825	11.037	201.130
Additions			10.303	1.926	111.800	124.029
Amounts used	87	1.172	15.566		877	17.701
Unused amounts reversed during the period						
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements		634	24.409	-968	-2.398	21.679
Closing balance		34.590	173.199	1.784	119.563	329.137

Table 31.2

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

Provisions for tax disputes

This section includes provisions as part of possible additional taxes, which are contested by the bank. In this context a number of clients claimed compensation from the bank, for which provisions were also recognised.

In the short term no major development is expected in these cases.

Ongoing legal disputes

The main element of this section is the provision for litigation concerning agents and former agents. It mainly concerns disputes due to cases of fraud. In 2014, a few new claims of limited scope occurred.

Estimates vary as to the period of settlement of these disputes that are heterogenous and unpredictable at times.

Pension obligations and other benefits under pension obligations

The majority here relates to the provision under IAS19. For more details and information, please refer to the section “post-employment benefits and other long-term benefits”.

The group plan on social liabilities mentioned under the “restructuring” point is also included here. No provision has been recorded since the beginning of the year. The provision was completely extinguished at the year-end 2014.

During the 2015 financial year, new provisions of EUR 3.243.317 and an allocation of the provision of EUR 7.239.027 were established under the existing regulations at AXA Bank. Therefore, on 31 December 2015, these provisions were EUR 15.795.778. They were included in the CTC of 7 May 2007 and in its extension of 25 November 2009 and in the CTC of 16 March 2011.

The balance of the provision for credit time was 454.206 at 1 January 2015. In 2015, no provision was added and the amount of EUR 291.799 was used on 31 December 2015.

Other provisions

Here we mainly find the provision created in 2014 of EUR 100 million for FX risk in Hungary that was reversed and used as the final settlement with the majority of customers took place in line with the measures imposed by the Hungarian Parliament.

In addition, a provision was also created in 2014 for the planned bank centralisation in Berchem (EUR 1 million) and a provision for exit mechanisms (EUR 8 million). The provision relating to the centralisation of banking services was used but a provision was again created at the end of the year for EUR 514 K. As regards the provision for the exit mechanism, an amount of EUR 5.7 million remained by the end of 2015 in line with management expectations.

32 Contingent liabilities and commitments

OFF-BALANCE SHEET COMMITMENTS Notional Amounts in '000 EUR	2015.12	2014.12
Loan commitments	-24.541.921	-30.275.981
Given	1.051.391	1.188.333
Received	-25.593.312	-31.464.314
Received credit lines	-231.282	-3.118.114
Received collateral loans	-24.397.922	-23.276.939
Received collateral repos	-964.108	-5.069.261
Financial guarantees	-3.080.421	-2.913.210
Given	20.399	21.898
Guarantees received	-3.100.819	-2.935.108
Credit derivatives received		
Other commitments (e.g. note issuance facilities, revolving underwriting	7.216.034	13.055.776
Given to another counterparty	7.216.034	13.055.776
Received from another counterparty		

Table 32.1

By virtue of its off-balance sheet liabilities AXA Bank Europe has three types of liabilities:

- Liabilities due to loans
- Financial guarantees
- Other liabilities primarily consisting of assets issued as guarantees as part of the bank’s repo activities

This is discussed in further detail below :

Liabilities due to loans

For granted liabilities involving commitments to retail clients.

The risk related to this is very limited in view of the diversification of the portfolio and mainly due to the fact that issued credits are themselves safeguarded by clients. They can be found in the received liabilities that often consist of a property guarantee.

The securities received within the framework of the reverse repo activities can also be found in the received guarantees as part of the bank’s repo activities.

Financial guarantees

Here we find personal guarantees received in connection with the granting of credit to individuals and other commercial loans.

Other liabilities

This primarily concerns the assets that have been given as collateral by the bank within the framework of its repo activity.

Encumbered assets

The only encumbered assets are the aforementioned securities given in repo.

Deposit protection fund

Currently, there are 2 deposit protection funds in Belgium. The "Protection fund for deposits and financial instruments" that has been in existence for quite some time and the "Special Protection Fund for Deposits and Life Insurance" established by Royal Decree of 14 November 2008. Credit amounts of savers (including dematerialised customer saving certificates) enjoy this protection at their financial institutions.

With regard to the already existing "Protection fund for deposits and financial instruments", part of the credits of the fund was already returned to the financial institutions in 2012 and 2013.

33 Post-employment benefits and other long-term employee benefits

33.1 BREAKDOWN OF PERSONNEL EXPENSES

(En '000 EUR)	2015.12	2014.12
Salaries	64.249	59.193
Social charges	18.304	18.421
Cost of pensions and other benefits	4.437	8.087
Share based compensation	1.696	1.363
other personell charges	7.746	17.076
Total	100.623	106.801

Tableau 33.1

33.2 PENSION COMMITMENTS AND OTHER BENEFITS

33.2.1 Defined Benefit Plans

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

AXA Bank has set up 12 pension plans of which 7 are legally structured as defined contribution type plans.

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

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

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

Pension plans are subject to social and prudential rules applicable in Belgium, in particular the law on supplementary pensions (LPC).

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

	2015	2014	2013	2012	2010
Discount rate	2,30%	1,80%	3,40%	2,20%	4,20%
Inflation rate	1,60%	2,00%	2,00%	2,00%	2,00%
Percentage of salry increase	2,60%	3,00%	3,50%	3,50%	3,50%

Table 33.2

Health care costs progress at an estimated 2% yearly.

The mortality tables used to calculate these liabilities are the mortality tables MR / FR (1988-1989) with an age adjustment of minus five years.

The normal retirement age is 65 years in order to comply with the expected long-term trends.

The probability of departure before retirement rate is set according to age according to the table below:

Age	percentage
< 20 year	0,0%
20 year <= 24 year	8,0%
25 year <= 29 year	8,0%
30 year <= 34 year	7,0%
35 year <= 39 year	5,0%
40 year <= 44 year	3,5%
45 year <= 49 year	2,0%
50 year <= 54 year	1,2%
55 year <= 59 year	0,8%
60 year <= 65 year	0,8%

Table 33.3

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

The discount rate is determined at the closing date from the AA corporate bond market rates in the Eurozone and depending on the duration and characteristics of the plans. The duration of the liabilities is about 13 years at the end of 2015 compared to about 14 years at the end of 2014.

A decrease of 0.5% in the discount rate would change the total DBO (defined benefit obligation) to +5.9% and service costs during the period of +6.7%.

An increase of 0.5% discount rate would reduce the total DBO by -5.1% and service costs during the period by -5.9%.

An increase of 0.5% in the inflation rate would change the total DBO by +3.7% and service costs during the period would increase by +4.6%.

An increase of 0.5% in the inflation rate for medical costs would give rise to an increase in total DBO of +0.5% and service costs during the period would increase by +0.5%.

An increase of 0.5% in salaries would increase the total DBO by 7.5% while service costs during the period would increase by +8.3%.

33.2.2 Variation annual pension commitments and other benefits

The annual change in the *Defined Benefit Obligation is* calculated based on the following items:

- service costs during the period representing *the increase* in the actuarial liability for an additional year of seniority;
- interest on the actuarial liability representing the cost of discounting over one year (Interest *Cost);*
- employee contributions;
- changes of plans (modification, curtailment, settlement, acquisitions and disposals, etc.);
- actuarial profits and losses due to changes in assumptions and to experience.
- the benefits paid by the employer and by the *assets.*

33.3 Information presented in the statement of financial position

Information presented in the statement of financial position for pension and other benefits shows the difference between the benefit obligation and the fair value of plan assets. When this difference is positive, a provision is recognised. When this difference is negative, a prepaid charge is recorded in the statement of financial position.

In addition, and in accordance with IAS 19, an asset class, called Separate Assets is presented in the statement of financial position. IFRS have created the concept of *Separate Assets* which are assets that cannot be deducted from the actuarial debt. At AXA Bank Europe, *Separate Assets* are insurance contracts issued by certain subsidiaries to cover their defined benefit plans. In accounting terms, the result of *Separate Assets* is an increase in the provision recorded or a decrease in the prepaid charge. These assets are presented in a separate section of the following table. These assets are available to potential creditors only in case of bankruptcy. Their economic nature is thus similar to that of *Plan Assets* on a going-concern basis. However, this is because these assets are made available through an insurance policy that IFRS requires to recognise them in the category Separate *Assets*, despite their economic nature.

Following IAS 19 Revised 2011, AXA Bank recognises all actuarial gains and losses in a special line of the consolidated statement of comprehensive income and expense for the period (Statement *of Comprehensive Income - SOCI*) in equity (cf. the consolidated statement of changes in equity).

Actuarial gains and losses are defined as adjustments due to changes in actuarial assumptions and experience effects (changes in population characteristics between two assessments). Actuarial losses and gains also include differences between the expected income (that now corresponds to the discount rate in accordance with IAS 19 Revised 2011) and the actual income from financial investments.

Note that the AXA Group has decided to apply IAS 19 Revised 2011 with retroactive effect from 1st January 2012; this change resulted in a restatement of the 2012 accounts.

In addition to changes between the expected return from assets as aforementioned, IAS 19 Revised 2011 previous now requires the management of tax and social contributions applicable to pensions and healthcare in Belgium.

The table below shows the changes in the benefit obligation and changes in plan assets for pension plans and other benefits under the Plan Assets category and Separate Assets at 31 December 2015.

(In '000 EUR)	12.2015	12.2014
Changes in the commitment		
Actuarial liability at the start of the period	161.060	137.368
Service cost	4.043	6.533
Interest on the actuarial liability	2.911	4.638
Employee contributions.	416	680
Modification, curtailment, (incl. acquisitions and disposals, etc.)	0	0
Actuarial profits and losses due to changes to experience.	-2.899	1.664
Actuarial differences resulting from change in the hyp for Demographics	0	0
Actuarial differences resulting from change in the hyp for Financials	-20.713	21.403
Benefits paid	-9.284	-11.121
Benefits paid directly by the employer.	-94	-106
Amendment to IAS 19 (cf. Note 1.General principles)	11.239	
Effect of exchange rate changes	-887	
Actuarial liability at the end of period (A)	**145.792**	**161.060**
Evolution of Plan Assets hedging		
Fair value of assets at beginning of period	11.070	11.283
Implicit return on assets	188	368
Actual return on plan hedging assets, excluding the implicit return on assets	136	350
Employer contributions.	5	117
Employee contributions.	0	5
Incoming (outgoing) transfers (incl. acquisitions and disposals)	0	0
Benefits paid	-1.292	-1.053
Effect of exchange rate changes	0	0
Fair value of assets at end of period (B)	**10.106**	**11.070**
Changes in Separate Assets		
Fair value of assets at beginning of period	82.649	80.888
Implicit return on assets	1.442	2.717
Actual return on plan hedging assets, excluding the implicit return on assets	1.838	996
Employer contributions.	2.583	7.441
Employee contributions.	411	675
Incoming (outgoing) transfers (incl. acquisitions and disposals)	0	0
Benefits paid	-8.086	-10.068
Effect of exchange rate changes	0	0
Fair value of assets at end of period	11.069	
	91.908	**82.649**
Funding of liabilities		
Underfunded plans (plan by plan)	-135.686	-149.990
Overfunded plans (plan by plan)	0	0
Unfunded commitments (B) - (A)	-135.686	-149.990
Unrecognised past service cost	0	0
Cumulative impact of asset ceiling	0	0
Liabilities recorded in the statement of financial position (excluding Separate Assets)		
Recognised assets	0	0
Provisions recorded	-135.686	-149.990
Net position (excluding Separate Assets)	**-135.686**	**-149.990**
Net economic funding (including: Separate Assets)		
Net position (excluding Separate Assets)	-135.686	-149.990
Fair value of Separate Assets at end of period	91.908	82.649
Net economic funding (including: Separate Assets)	**-43.778**	**-67.341**

Table 33.4

This variation is mainly explained by changes in financial assumptions, the discount rate changed from 1.80% end 2014 to 3.40% at end of 2015 and the rate of wage increase dropped from 2.00% in late 2014 to 1.60% in late 2015.

33.4 Annual Pension and other benefits expense

Annual pension and other benefits expense recorded in the income statement (included in "cost of pension obligations and other benefits" presented in Note 26.1) is presented below at 31 December 2015 and 31 December 2014:

(In '000 EUR)	12.2015	12.2014
Annual pension expense and other benefits		
Service cost	4.459	7.214
Curtailments and settlements	0	0
Employee contributions	-416	-680
Interest on the actuarial liability	2.911	4.638
Implicit return on Plan assets/separate assets	-1.630	-3.085
Restrictions/settlement	-887	
Total	**4.437**	**8.087**

Table 33.6

33.5 Progression in the provision recorded in the statement of financial position (excluding Separate Assets)

Change in the provision recorded in the statement of financial position between 1st January 2015 and 31st December 2015 only presents the change of the provision recognised in the accounts of AXA Bank Europe. This reconciliation does not include *Separate Assets*. It thus does not fully represent the economic reality. The table below shows the detailed changes in the liabilities recorded in the statement of financial *position* with Separate Assets added at the end of each financial year.

The Separate Assets represent the fair value of assets backing the obligations under defined benefit plans covered by both insurance policies at AXA Bank Europe that give direct rights to employees and by insurance policies with related parties which are outside the consolidation scope. In such circumstances, these assets are unqualifiable as assets Plans deducted from the commitments but represent reimbursement rights recognised as Separate Assets in accordance with the recommendations of IAS 19. Assets and insurance technical reserves (in the case of entities in the consolidation scope) also remain in the consolidated balance sheet.

The change in net economic funding commitments between 1st January 2015 and 31st December 2015 reflects the changes in the provision recognised in the accounts of AXA Bank Europe and the changes in Separate *Assets.*

(in '000 EUR)	12.2015	12.2014
Progression in the provision recorded in the statement of financial position at the start of the period	**-149.990**	**-126.085**
Annual pension expense and other benefits	-6.295	-11.479
Employer contributions.	5	117
Employer benefits	94	106
Benefits paid by Separate Assets	7.992	10.068
actuarial gain /lossens recognised in Soci component	23.748	-22.717
DC plans	-11.239	
Provision presented in the statement of financial position at the end of the period	**-135.686**	**-149.990**
Fair value of Separate Assets at end of period	91.908	82.649
Net economic funding for commitments at the end of the period	**-43.778**	**-67.341**

33.6 Upcoming outflows (benefits paid and employer contributions)

A) Estimated future benefit payments

Expected future benefits amounted to EUR 4.2 million for 2016 and EUR 2.9 million for 2017. These amounts may vary depending on differences between the assumptions and the reality in future years.

B) Expected Employer Contributions to *Plan* Assets and Separate *Assets*

Entities must annually pay the cost to benefits for which the contributions are determined as a percentage of pensionable salary depending on the age or the seniority of the beneficiaries. The estimated amount of employer contributions payable in 2016 for pension commitments is EUR 5.6 million. This amount may vary depending on differences between the assumptions and the reality in future years and represents contributions not directly related to the IFRS annual pension expense and other benefits.

33.7 Asset allocation at end of 2015

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

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

Regarding the existing Anhyp former regime, as of 1st July 1983, the funding vehicle is a pension fund. The financial assets contribution to the pension fund at 31.12.2015 is 21.0% shares, 79.0% bonds.

34 Share-based payments

The instruments specified below for share paymenst are mainly instruments settled in shares, but also include instruments with cash settlement. The unit costs of the share based payments with settlement in shares do not vary for a given plan while the costs of the instruments settled in cash are updated at every closure.

The total burden for AXA Bank Europe is not significant.

34.1 AXA S.A. share options

The senior members and key employees can receive share options from AXA within the framework of the share option schemes of the company. These options can be subscription options that imply the issue of new AXA shares or purchase options that imply the transfer of personal shares. The conditions for each option grant can vary. Currently, the options (i) are allocated for a price not lower than the average of the closing prices of AXA shares on the Paris stock exchange for the twenty days preceding the allocation; (ii) are valid for at least 10 years, and (iii) they can generally be exercised in tranches of 33.33% per year from the second up to the fourth anniversary of the option allocation date.

For beneficiaries, the stock options granted have been unconditionally acquired for the first two tranches while the third tranche can be exercised if a performance condition for AXA shares is met when compared to the “DowJones Europe Stoxx Insurance” benchmark index.

The following table provides an overview of current options.

2015.12	Options (in '000 EUR)	Average Price EUR
Outstanding at 1/1	559,7	
Allocations	31,2	22,90
Capital increases	0,0	
Subscriptions	-174,4	16,60
Options expired and cancelled	-6,0	19,70
Movements within the Group	-5,5	
Outstanding at 31.12	**405,0**	**19,06**

Table 34.1

The number of options in circulation and the number of options that can be exercised at 31 December 2014 are shown thereafter in accordance with the expiry date:

Date of Grant	Excercise Price	Outstanding	Exercisable
2006-03-31	27,75 €	87.248,00	87.248,00
2007-05-10	32,95 €	76.543,00	76.543,00
2008-04-01	21,00 €	37.229,00	37.229,00
2009-03-20	9,76 €	14.823,00	14.823,00
2010-03-19	15,43 €	17.468,00	17.468,00
2011-03-18	14,73 €	41.446,00	41.446,00
2012-03-16	12,22 €	25.500,00	17.000,00
2013-03-22	13,81 €	36.800,00	12.266,67
2014-03-24	18,68 €	36.960,00	0,00
2015-06-19	22,90 €	31.249,00	0,00

Table 34.2

The Black and Scholes model for valuing options has been used to establish the fair value of the AXA share options. The consequence of exercising options before their expiry date is taken into consideration based on a hypothesis for the expected lifecycle that arises from the observation of historical data. The volatility of the AXA share is estimated using the implicit volatility method validated through the analysis of historical volatility to ascertain the hypothesis’ coherence.

The hypothesis for the expected dividend of the AXA share is based on market consensus. The risk-free return arises from the interest curve of the Euro Swap for the corresponding maturity.

34.2 AXA Share Plan

AXA gives its employees the option of becoming shareholders thanks to a special issue that is reserved for them. In the countries that meet legal and tax requirements, two investment options are proposed: the traditional shareholder plan and the plan with leverage.

The traditional plan gives employees the option to subscribe to AXA shares based on the initial contribution (through the mutual investment fund of the company or through shares held directly) with a maximum discount of 20%. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees carry the risk of all share evolutions when compared to the subscription price.

The leverage plan gives employees the option to subscribe to AXA shares based on 10 times their initial contribution (through the mutual investment fund of the company or through shares held directly) with a discount. The leverage on the personal contribution of employees takes place in the form of a loan (without recovery on the employee above the value of the shares) that is granted by a third party bank. These shares are unavailable for 5 years (unless there is an accelerated release as provided by the applicable regulations). Employees who participate in the leverage scheme are given the guarantee of their initial personal contribution and also a certain percentage of the value increase of the share (when compared to the unreduced reference price) for the total invested amount.

At the end of the unavailability period of 5 years, employees can choose from the following: to buy out their saving credit (exit with cash settlement) or transfer their credit invested in the leverage formula to the traditional fund.

The costs of the shareholder plan are valued by taking into account the 5-year restriction for the employee. The approach adopted prices the share based on a replication strategy by which the participant would sell the share on the stock exchange after the 5 year restrictive period and would borrow the amount that is required to immediately purchase an unencumbered share with loan funding by future selling and the dividends paid out during the restrictive period. The opportunity profit must be added to the cost of the plan for the leverage plan that is implicitly offered by AXA since it allows its employees to enjoy the institutional price (and not the stock exchange retail price) for the derivatives.

The AXA Group has proposed to its employees within the framework of the Group employees shareholding policy that they subscribe to a reserved capital increase for a price of EUR 17,74 for the traditional plan (20% discount when compared to the reference price of EUR 22,17 calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and EUR 20,27 for the leverage plan (10.80% discount when compared to the reference price) during the past financial year. The AXA Bank Europe employees subscribed for an amount of EUR 0.5 million.

	2015		2014	
	Traditional	Leveraged	Traditional	Leveraged
Plan maturity (in years)	5	5	5	5
[A] Discount to face value	20.00%	8,57%	20.00%	10.80%
Reference price (in '000 EUR)	22,17	22,17	18.43	18.43
Subscription price (in '000 EUR)	17,74	20,27	14.75	16.44
interest rate on employee loan	7,24%	7,60%	6.50%	6.91%
5-year risk free rate (euro zone)	0,36%	0,36%	0.48%	0.48%
Dividend yield	6,59%	6,59	6.19%	6.19%
Early exit rate	1,20%	1,20%	0.98%	0.98%
Debit interest rate	-0,09%	-0,09%	0.20%	0.20%
Retail/institutional volatility spread	N/A	2,39%	N/A	3.30%
[B] Cost of the lock-up for the employee	19,68%	8,54%	19.64%	10.76%
[C] Opportunity gain	N/A	1,99%	N/A	2.05%

Table 34.3

34.3 AXA Miles

AXA (the controlling parent company of AXA Bank Europe) allocated 50 free shares to each employee of the Group on 16 March 2012. This allocation and its 4+2 scheme also benefited AXA Bank Europe employees (therefore, a period of 4 years for acquiring the rights without a non-transferability period).

The free shares are valued based on the approximation that was selected for the Share Plan described in this section with assumptions adjusted to the structure of the plan based on the price of EUR 13.18 per share on 16 March 2012 and an expected waiving of the rights of 5% is applied prior to their acquisition.

34.4 Other payments in shares

- Performance Shares

In 2013, AXA established common procedures for awarding “Performance Shares” to employees eligible for this. Under the terms of the plan, the beneficiaries of “Performance Shares” are entitled to receive a specific number of shares from AXA, based on performance criteria defined by AXA. The period for measuring that performance is 2 years. The period for acquisition of the rights is 3 years. Payment of the performance shares awarded (2013 plan) is made in shares.

Since 2014 the performance period is 2 years for the first tranche and 3 years for the second, followed by a deferred acquisition period of 1 year.

For performance shares granted during 2015, the performance period is 3 years followed by a deferred acquisition period of 1 year.

- Performance Units

The total cost paid in 2015 for “Performance Units” is EUR 1,2 million.

35 Government grants and government assistance

AXA Bank Europe receives structural deductions within the framework of social security. These deductions primarily involve two types:

- Structural one-off deductions calculated in compliance with the Royal Decrees of May 2003 and January 2004.
- Deductions related to the “older employees” target group (above the age of 57).

The amounts thus established totalled approximately EUR 2.4 million and EUR 0.2 million

36 Equity

Equity	2015.12 in 000 eur	2014.12 in 000 eur	*movements in revaluation reserves from 2014/2015*
Subscribed capital	681.318	681.318	
Other equity	90.000	90.000	
Equity component of compound	1.120	581	
revaluation reserves	381.567	108.677	*272.890*
Revaluation of available-for-sale financial assets	235.318	235.392	*-74*
deferred taxes	-79.971	-79.987	*16*
	155.347	155.405	*-58*
actuarial gains/losses relating to promised pension schemes	-20.677	-46.094	*25.417*
deferred taxes	7.028	15.668	*-8.640*
	-13.649	-30.427	*16.778*
foreign currency translation	5	2.693	*-2.688*
other comprehensive income, related to fixed assets and groups of assets being disposed of, classified as held for sale	3.040		
Cash flow hedges	-16.009	-23.308	*7.299*
deferred taxes	5.442	4.313	*1.129*
	-10.567	-18.995	*8.428*
	0		
other reserves	239.864	289.343	
result of the financial year	27.228	-48.150	
total equity	1.173.706	1.121.769	

Tableau 36.1

The issued capital amounts to 681,318 K euros and consists of 493.744.650 shares without making a reference to the nominal value. It was paid up in full. As a result of the capital increase in 2014 (135.000 KEuro) was decided in 2015 to increase the number of shares with respect to 2014 (395 911 750 shares).

The other capital equity instruments issued consist of Contingency Convertible Bonds.

The other equity amounts to a sum as part of share based compensation.

The reserves from the revaluation comprise the reserves from the revaluation of the foreign exchange rates, the revaluation of the assets available for sale, the revaluation of the cash flow hedges and the reserves for pension liabilities.

The "other reserves" section comprises the legal reserves and the transferred results from the AXA Bank Europe parent company and the consolidation reserves resulting from the first IFRS inclusion into this latter and all consolidation reserves for the subsidiaries.

The consolidation reserves also include the Fund for General Bank Risks. It was established by the bank to deal with unforeseeable risks and future unexpected losses. This fund amounts to EUR 32 million.

37 Profit allocation and dividends per share

The Board of Directors proposes to transfer the statutory loss for the year together with the retained earnings integral to the next financial year. There are therefore no dividend will be distributed. The consolidated result amounts to 27 228 million euro and will therefore also be an integral over-carried to the next year.

38 Cash and cash equivalents

	2015.12 en '000 EUR	2014.12 en '000 EUR
Components of cash and cash equivalents		
On hand (cash)	62.342	72.434
Cash and balances with central banks	269.567	278.228
Loans and receivables	5.246	35.812
Available for sale assets		

Table 38.1

39 Related-party transactions

Income and expences from related-party transactions 2015.12 in '000 EUR	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	TOTAL
Balance sheet								
Assets : loans and advances	120.363		4.913			606	2.180.574	2.306.456
Current accounts								
Term loans	120.363		4.913			606	2.180.574	2.306.456
Finance leases								
Consumer Credit								
Mortgage loans								
Other								
Equity instruments								
Trading securities								
Investment securities								
Other receivables								
TOTAL ASSETS	**120.363**		**4.913**			**606**	**2.180.574**	**2.306.456**
Liabilities : deposits			383			2.274	385	3.042
Deposits			383			2.274	385	3.042
Other borrowings								
Other financial liabilities								
Debt certificates								
Subordinated liabilities								
Share based payments								
Granted								
Exercised								
Other liabilities							837.765	837.765
TOTAL LIABILITIES			**383**			**2.274**	**838.150**	**840.807**
Derivatives (Notional amounts)							**33.556.299**	**33.556.299**
Interest rate swaptions							2.688.761	2.688.761
Interest rate IRS							24.770.139	24.770.139
Equity instruments TRS							4.411.102	4.411.102
							1.686.297	1.686.297
Ohter items off-balance-sheet	158.238		10.744				158.238	327.220
Guarantees issued by the group			10.744				158.238	168.982
Guarantees received by the group	158.238							158.238
Provisions for doubtful debts								

Table 39.1

Income and expences from related-party transactions 2015.12 in '000 EUR	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	TOTAL
Profit or loss								
Expenses								
Interest expenses							1.018.285	1.018.285
Foreign exchange								
Fees and commissions							3.779	3.779
Insurance premiums								
Rendering of services								
Purchase of goods, property and other assets								
Transfers								
Other								
TOTAL EXPENSES							**1.022.064**	**1.022.064**
Income								
Interest Income	128						954.137	954.265
Foreign exchange								
Fees and commissions							3.618	3.618
Dividend income								
Insurance premiums								
Receiving of services								
Sales of goods, property and other assets								
Transfers								
Other								
TOTAL INCOME	**128**						**957.755**	**957.883**
Expenses from current year in respect of bad or doubtful debts								

Table 39.2

Income and expences from related-party transactions 2014.12 in '000 EUR	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	TOTAL
Balance sheet								
Assets : loans and advances			5.917			1.171	5.396.049	5.403.137
Current accounts								
Term loans			5.917			1.171	5.396.044	5.403.132
Finance leases								
Consumer Credit								
Mortgage loans								
Other							6	6
Equity instruments								
Trading securities								
Investment securities								
Other receivables								
TOTAL ASSETS			**5.917**			**1.171**	**5.396.049**	**5.403.137**
Liabilities : deposits	29.686		628					30.314
Deposits	29.686		628					30.314
Other borrowings								
Other financial liabilities								
Debt certificates								
Subordinated liabilities								
Share based payments								
Granted								
Exercised								
Other liabilities							438.966	438.966
TOTAL LIABILITIES	**29.686**		**628**				**438.966**	**469.280**
Derivatives (Notional amounts)							**84.660.624**	**84.660.624**
Interest rate swaptions							12.151.484	12.151.484
Interest rate IRS							61.729.648	61.729.648
Equity instruments TRS							4.620.656	4.620.656
Ohter items off-balance-sheet							6.158.836	6.158.836
Ohter items off-balance-sheet							6.898.137	6.898.137
Guarantees issued by the group							1.413.702	1.413.702
Guarantees received by the group							5.484.434	5.484.434
Provisions for doubtful debts								

Table 39.3

Income and expences from related-party transactions 2014.12 in '000 EUR	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	TOTAL
Profit or loss								
Expenses								
Interest expenses	3						696.596	696.599
Foreign exchange								
Fees and commissions							10.377	10.377
Insurance premiums								
Rendering of services								
Purchase of goods, property and other assets								
Transfers								
Other								
TOTAL EXPENSES	**3**						**706.973**	**706.976**
Income								
Interest Income							717.960	717.960
Foreign exchange								
Fees and commissions							3.590	3.590
Dividend income								
Insurance premiums								
Receiving of services								
Sales of goods, property and other assets								
Transfers								
Other								
TOTAL INCOME							**721.550**	**721.550**
Expenses from current year in respect of bad or doubtful debts								

Table 39.4

In addition, there is also the AXA Bank pension fund. As of 31/12/2015, this Keuro 13,720 for defined benefit obligations (15,616 Keuro 2014) and 10,107 Keuro plan assets (11,070 Keuro 2014).

The "Other Related Parties" column also contains the transactions of the sister companies that fall under the joint control of AXA.

Related party transactions taking place at arm's length.

In assets, in the "long-term loans" section, we find the mobilisation claims within the framework of the reverse repurchase transactions with AXA Belgium.

We would also like to point out that AXA Bank Europe acts as an intermediary within the framework of a Total Return Equity Swap. This transaction runs with AXA S.A. (France) and AXA Vie France. Within the framework of this transaction, cash is both received and paid out as collateral. The net impact on the AXA Bank Europe income statement is slight.

In the "other borrowings" section of commitments, we find the long-term investments in other AXA entities.

Key management Compensations in '000 EUR	2015.12	2014.12
Short-term employee benefits	3.454	3.290
Post-employment benefits		
Other long-term benefits	201	113
Termination benefits		
Share based payments	886	191
TOTAL	4.541	3.594

Table 39.5

The related parties of AXA Bank Europe do not include any joint parent company or joint ventures.

The subsidiaries include all subsidiaries, as well as those not included in the consolidation scope.

As employees of AXA the management in key positions benefit from the same (and no more) staff benefits as other employees. Discounts on AXA products (banking and insurance) and other client benefits offered by outside companies are accessible to each employee on the Intranet (Affinity) and are therefore also available to management in key positions. Consequently, regarding these persons no separate database is kept by AXA.

40 Lease agreements

Leasing activities do not belong to the set of activities of AXA Bank Europe.

As lessee, AXA Bank Europe only has operational lease contracts.

Regarding operational lease arrangements, the tables below show the lease agreements of both company cars and corporate buildings.

Assets held under an operating lease as a lessee 2015.12 in '000 EUR	Net carrying amount	Total future monomum lease payments	net present value of the total future minimum lease payments	future minimum sublease payments expected to be received under non-cancelable subleases	contingent rents recognised in income
Voor de lessee - Resterende looptijd					
< 1 year	87		1.091		
> 1 year ≤ 5 year	2.274				
> 5 year	55				
TOTAAL NOMINAL AMOUNT	2.416		1.091		

Table 40.1

Assets held under an operating lease as a lessee 2014.2 in '000 EUR	Net carrying amount	Total future monomum lease payments	net present value of the total future minimum lease payments	future minimum sublease payments expected to be received under non-cancelable subleases	contingent rents recognised in income
Voor de lessee - Resterende looptijd					
< 1 year	143		1.777		
> 1 year ≤ 5 year	2.297				
> 5 year	56				
TOTAAL NOMINAL AMOUNT	2.496		1.777		

41 Repurchase agreements (repo) and reverse repurchase agreements (reverse repo)

The debt certificates specified below are related to financial assets that have been recognised here for their IFRS book value.

Transferor : Repo No derecognition of transfers of financial assets out of : 2015.12 in '000 EUR	Equity instruments	Debt instruments	Loans and advances	Other	Total
Financial assets held for trading					
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		3.568.953			3.568.953
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		3.568.953			3.568.953

Table 41.1

Transferor : Repo No derecognition of transfers of financial assets out of : 2014.12 in '000 EUR	Equity instruments	Debt instruments	Loans and advances	Other	Total
Financial assets held for trading					
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		8.063.668			8.063.668
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		8.063.668			8.063.668

Table 41.2

The inclusion of the repurchase agreements and reverse repurchase agreements occurs here for the paid amounts and received amounts, respectively. As part of the continuous debt reduction of the financial balance of AXA Bank Europe, the reverse repo activity decreased significantly from 4,2 billion euro towards 0,96 billion euro at the end of 2015.

See also Chapter 43 on offsetting.

Transferor : Liabilities (financing obtained) 2015.12 in '000 EUR	Total
Repo	
Credit institutions	1.426.009
Other than credit institutions	2.656.292
Total	**4.082.301**

Table 41.3

Transferor : Liabilities (financing obtained) 2014.12 in '000 EUR	Total
Repo	
Credit institutions	1.717.132
Other than credit institutions	6.657.971
Total	**8.375.103**

Table 41.4

Transferee : Assets (financing granted) 2015.12 in '000 EUR	Total
Reverse repo	
Credit institutions	
Other than credit institutions	962.374
Total	**962.374**

Table 41.5

Transferee : Assets (financing granted) 2014.12 in '000 EUR	Total
Reverse repo	
Credit institutions	
Other than credit institutions	4.291.852
Total	**4.291.852**

Table 41.6

42 Financial relationships with auditors

Carrying amount	2015.12	2014.12
	PWC	PWC
remuneration of the auditors	515	524
remuneration for exceptional activites or		
special commissions performed within the company		
by the auditors		
Other audit activities	*115*	*275*
Advisory activities		
Other activities outside audit activities	*0*	*32*
Remuneration of persons with which the auditors:		
are connected to the exercise of a mandate	52	57
on the level of the group of which the company that publishes the information		
at the head		
remuneration for exceptional or special commissions performed within the company		
by persons associated with the auditors		
other audit activities	*8*	*8*
taks advice	*0*	*5*
Other activities outside audit activities	8	2

Table 42.1

Notification in application of art. 133 paragraph 6 of the Companies Code

43 Offsetting

AXA Bank Europe applies netting/offsetting at year-end under IAS 32 and this with the following counterparties: HSBC, Crédit Suisse, AXA Life Europe and AXA Life Invest Reinsurance No restrictions are applicable to the collateral received.

Below, an overview of the derivatives, repo and reverse-repo transactions and the corresponding received and issued securities (in EUR ‘000).

The payment and receipt of remuneration for the repo / reverse repo / derivatives activity are in line with market conditions and are not linked to any special requirement.

The overall net position indicates that the position and the warranty largely cancel each other out.

IAS32 master netting agreements:

				amounts related, not offset in the financial position		
Carrying amount in '000 EUR 2015-12	Gross amounts for offsetting financial assets	Gross amount from offsetting financial liabilities	Net amounts financial assets as presented in the balance sheet	financial instruments (including non cash guarantees)	cash guarantees received	Net position
Financial assets						
Cash and Cash equivalents at central banks	337.156		337.156			337.156
Financial assets held for trading	4.784.460	3.228.787	1.555.673	1.358.022	-151.365	349.016
Financial assets at fair value with fair value through profit or loss						0
Available for sale financial assets	7.838.627		7.838.627	3.081.080		4.757.547
Loans and receivables	20.742.995	977.063	19.765.932	962.374	938.686	17.864.872
Held to maturity investments			0			0
Hedging derivatives	146.792	20.666	126.126	126.126		0
Other	498.363		498.363			498.363
Total assets	34.348.393	4.226.516	30.121.877	5.527.602	787.321	23.806.954

Tabel 43.1

				amounts related, not offset in the financial position		
Carrying amount in '000 EUR 2015-12	Gross amounts for offsetting financial liabilities	Gross amount from offsetting financial assets	Net amounts financial liabilities as presented in the balance sheet	financial instruments (including non cash guarantees)	cash guarantees given	Net position
Financial liabilities						
Financial liabilities held for trading	4.635.980	3.735.212	900.768	900.768		0
Financial liabilities at fair value with fair value through profit or loss	1.633.560		1.633.560			1.633.560
Financial liabilities measured at amortized cost	21.635.937	169.081	21.466.856		787.321	20.679.535
Financial liabilities associated with transferred financial assets	4.082.301		4.082.301	4.082.301		0
Hedging derivatives	866.755	322.222	544.533	544.533		0
Other	112.118		112.118			112.118
Total Liabilities	32.966.652	4.226.516	28.740.136	5.527.602	787.321	22.425.213

Tablel 43.2

				amounts related, not offset in the financial position		
Carrying amount in '000 EUR 2014-12	Gross amounts for offsetting financial assets	Gross amount from offsetting financial liabilities	Net amounts financial assets as presented in the balance sheet	financial instruments (including non cash guarantees)	cash guarantees received	Net position
Financial assets						
Cash and Cash equivalents at central banks	386.474		386.474			386.474
Financial assets held for trading	6.412.466		6.412.466	6.587.584	-926.345	751.227
Financial assets at fair value with fair value through profit or loss						0
Available for sale financial assets	9.263.827		9.263.827	4.665.083		4.598.744
Loans and receivables	25.663.294		25.663.294	4.291.841	2.537.380	18.834.073
Held to maturity investments			0			0
Hedging derivatives	172.059		172.059	172.059		0
Other	595.688		595.688			595.688
Total assets	42.493.808	0	42.493.808	15.716.567	1.611.035	25.166.206

Tabel 43.3

				amounts related, not offset in the financial position		
Carrying amount in '000 EUR 2014-12	Gross amounts for offsetting financial liabilities	Gross amount from offsetting financial assets	Net amounts financial liabilities as presented in the balance sheet	financial instruments (including non cash guarantees)	cash guarantees given	Net position
Financial liabilities						
Financial liabilities held for trading	6.240.739		6.240.739	6.240.739		0
Financial liabilities at fair value with fair value through profit or loss	1.613.123		1.613.123			1.613.123
Financial liabilities measured at amortized cost	23.607.027		23.607.027		1.611.035	21.995.992
Financial liabilities associated with transferred financial assets	8.375.103		8.375.103	8.375.103		0
Hedging derivatives	1.100.725		1.100.725	1.100.725		0
Other	147.501		147.501			147.501
Total Liabilities	41.084.218	0	41.084.218	15.716.567	1.611.035	23.756.616

Table 43.4

44 Segmented information

The segmented information model contains information based on by geographical segment as well as on business units.

The split based on geographical segment (that is to say, countries) is based on the location where the operational commercial services are being offered. These commercial services comprise the range of deposits and loans offerng for private clients. The results of the special purpose entities (for the issue of EMTNs, covered bonds and the securitisation of loans) are included in the Belgian results.

The Financial Services business unit encompasses the centralized functions of ALM (asset and liabilities) and treasurer, as well as the IT center of Poland.

Transactions between the different business units are carried out professionally and objectively (arm's length principle). The following basic principles are primarily applied in this context:

- Service Level Agreements
  AXA Bank Europe subsidiaries outsource various services to AXA Bank Europe headquarters. Among these, the most important ones are risk management, internal audit, ALM and the management of liquidities/cash resources. The results of these services are allocated according to the provisions and conditions between headquarters and each subsidiary. Internal service level agreements make detailed arrangements with regard to tasks and responsibilities of the supportive services.
- Funds Transfer Pricing
  The management of cash resources and ALM within AXA Bank Europe is centralised. With a view of transferring the interest rate risk of the commercial activities to the centralised ALM, the Funds Transfer Pricing system is used. This means that deposits that are provided for safekeeping by the commercial business units are reinvested at the central ALM and that the loans allocated by the commercial business units are financed by the central ALM while using the Funds Transfer Pricing interest rate.
- Allocation of ALM results
  In addition to the commercial margin, AXA Bank Europe may grant a conversion margin for its retail activities. The parameters used for determining said grant are economic capital together with assets and liabilities of the retail activities.

Country-by-country reporting:

Situation as of 31 December 2015

A	Name Activity Location	AXA BANK EUROPE N.V. Credit Institution Belgium	AXA BANK EUROPE N.V. Credit Institution Hungary	AXA BANK EUROPE N.V. Information technology support Poland
B	Turnover (in '000 EUR)	244.009	39.521	0
C	Average FTE	842	315	3
D	Profit-Loss before taxes	97.264	-53.444	-254
E	Taks expense (income) related to profit or loss from continuing operations	16.592	-612	21

Table 44.1

Situation as of 31 December 2014

A	Name Activity Location	AXA BANK EUROPE N.V. Credit Institution Belgium	AXA BANK EUROPE N.V. Credit Institution Hungary	AXA BANK EUROPE N.V. Information technology support Poland
B	Turnover (in '000 EUR)	239.317	47.503	0
C	Average FTE	881	340	6
D	Profit-Loss before taxes	74.080	-125.264	5
E	Taks expense (income) related to profit or loss from continuing operations	-2.437	-546	-45

Table 44.2

45 Cessation of activities

As per 2 February 2016, ABE signed a business transfer agreement for the sale of the business of its Hungarian branch with OTP Bank. Completion of the transaction is subject to the approvals of the competent authorities and customary conditions. It should be finalized during the last quarter of the year.

Therefore, we present the full profit and loss regarding the Hungarian branch.

Consolidated income statement in '000 EUR	2015.12	2014.12	Disclosure
Discontinued operations			
Financial & operating income and expenses	41.567	60.617	
Interest income	52.511	65.422	
(Interest expenses)	17.696	19.351	
Expenses on share capital repayable on demand	0	0	
Dividend income	0	0	
Fee and commission income	6.513	5.517	7
(Fee and commission expenses)	1.807	4.083	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	319	286	8
Gains (losses) on financial assets and liabilities held for trading (net)	61.132	6.879	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	0	0	9
Gains (losses) from hedge accounting	0	0	10
Exchange differences , net	-89.804	3.301	
Gains (losses) on derecognition of assets other than held for sale, net	-26	-4	
Other operating net income	30.425	2.650	11
Administration costs	27.414	34.578	12/13
Depreciation	1.047	979	24/25
Provisions	-109.485	102.742	
Impairment losses on financial assets not measured at fair value through profit or loss	98.614	26.436	20
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS			
Tax expense (income) related to profit or loss from continuing operations			
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS			14
Impairment losses on financial assets not at fair value through profit or loss resulting from discontinued operations	76.808	0	
Total profit or loss after tax from discontinued operations	612	-546	
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS	-53.444	-103.573	

46 Events after the balance sheet date

As per 2 February 2016, ABE signed a business transfer agreement for the sale of the business of its Hungarian branch with OTP Bank. Completion of the transaction is subject to the approvals of the competent authorities and customary conditions. It should be finalized during the last quarter of the year.

The signing of the agreement doesn’t have any influence on the provisions, which are made based on assumptions of the management on 31/12/2015.

In the annual account 2015, the Hungarian branch was reported as discontinued operation.

Brussels, 23 March 2016

Board of Directors
Jacques de Vaucleroy, President
Jef Van In
Sabine De Rycker
Céline Dupont (since 1 April 2015)
Françoise Gilles
Jeroen Ghysel
Marie-Cécile Plessix (since 1 January 2016)
Frank Koster
Patrick Lemoine
Emmanuel Vercoustre
Marc Bellis (*)
Patrick Keusters (since 1 January 2016) (*)
Philippe Rucheton (*)

Emmanuel de Talhouët, Vice President (until 24 March 2015)
Stéphane Slits (until 31 March 2015)
François Robinet (until 31 December 2015)

Management
Jef Van In, President
Sabine De Rycker
Céline Dupont (since 1 April 2015)
Françoise Gilles
Jeroen Ghysel
Emmanuel Vercoustre

Stéphane Slits (until 31 March 2015)

Audit committee
Philippe Rucheton, president (*)
Patrick Lemoine
Patrick Keusters (*) (since 4 February 2016)

Nomination committee
Jacques de Vaucleroy, president
Frank Koster (since 1 January 2016)
Marc Bellis (*)

Remuneration committee
Jacques de Vaucleroy, president
Frank Koster (since 1 January 2016)
Marc Bellis (*)

Risk committee
Philippe Rucheton (*) (president)
Patrick Lemoine
Patrick Keusters (*)

Statutory auditor:
PwC, Auditors, bcvba, represented by Tom Meuleman (licenced auditor)

(*) independent director, according to art 526 Company Code

Management Report 2015

redefining / standards

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

2015 has been marked by the continuation of the transformation plan, announced by the management of the bank in February 2014, to strengthen the structural profitability of the retail bank. Substantial progress has been made on all pillars of the plan:

- **Our products** – We have continued to simplify our product offer according to the FAST principles (Fair, Attentive, Simple and Transparent). Our product range has been extended with a credit offer for independent professions and very small companies. Furthermore the Invest offer has been upgraded, including 2 profiled funds of funds, and a new MIFID tool was offered to our agents.
- **Our distribution** – We continued to be a FAST bank with a digital footprint to serve our online customers. Therefore, a new Home Banking was launched in November 2015. In addition, we have invested in the consolidation and professionalization of our agency network to offer our clients superior customer service. This means simplifying processes to free up commercial time and provide technical-commercial training for agents to give clear and correct customer advice.
- **Our costs** - We continue on a path of disciplined cost management, resulting in a reduction of the operational expenses. However, our operational efforts are partially offset by non-income related taxes and contributions (bank levies).

The low-interest rate environment resulted in a record year in terms of gross credit production, strengthening our retail activity in the Belgian market. However, this gross credit production was accompanied by a wave of prepayments and internal refinancing. These prepayments and internal refinancings will have a negative impact on our future revenues. This negative impact is partially mitigated by capital gains on the investment portfolio.

Thanks to the Push Invest program and transformation of the Crest insurance, the bank had a strong growth in the savings and investment portfolio despite the low-rate environment.
2015 was also a record year in terms of derivative intermediation activity. In order to hedge the financial risk arising from their insurance products, there was a strong demand from the AXA insurance companies for interest rate swaps.

From an organisational point of view, AXA Bank Europe regrouped the majority of its staff in one physical site in Berchem where the headquarters of AXA Bank Europe are located. This move is part of AXA Bank Europe's continuing cultural change, resulting in a more agile and flexible collaboration by using flex desk and telework.

To conclude, AXA Bank Europe has entered into an agreement with OTP Bank Plc on February 2nd 2015 to sell its Hungarian banking operations. This transaction is the final step to reposition AXA Bank Europe as a retail bank exclusively present on the Belgian market, offering its services to almost one million customers and operating jointly with AXA Insurance in Belgium.

Jacques de Vaucleroy
Chairman of the Board of Directors

Jef Van In
CEO of AXA Bank Europe

B. The economic and financial context

1. Overall context

Last year, the recovery of the global economy slowed down to 2.4%[1] from 2.6%. Seven years after the start of the financial crisis many economies are still battling with a chronic weakness in domestic demand, excess production capacities and high levels of private and public sector debt. Furthermore, falling long-term growth prospects and worsening geopolitical tensions in the Middle East and Ukraine have provided challenges.
In the developed countries and especially the Eurozone, the economy grew slightly supported by low oil prices and the ECB monetary policy. The on-going weak inflation and modest growth expectations for the Eurozone, have led the ECB to continue its monetary policy. This policy has triggered low interest rates, depreciated the euro and strengthened Eurozone exports. It was this later effect that supported the Eurozone's economy, in the beginning of the year, and helped the economy to continue its recovery which started in 2014.
Despite a slump in fixed investments, caused by the energy firms' reactions to low oil prices and a strong dollar in Q4 causing a collapse in export growth, the economy in the USA matched its 2014 result, 2.4%, thanks to an aggressive monetary policy.
Reduced growth expectations in emerging and developing economies, primarily in China and in commodity exporting countries, have continued to shift geographical patterns of growth. Advanced economies have been gaining ground on emerging markets.
However as a group, emerging and developing economies now account for almost 60% of global GDP, up from just under 50% only a decade ago.[2]
China's economic growth has been losing speed from 7.4% in 2014 to 6.9%[3], produced by a dramatic drop in trade that reverberated across the world. An overheated property market in China prompted a contraction in construction output while the manufacturing sector slumped as exports deteriorated. The decline in heavy industry and construction has depressed demand for oil, iron ore and other commodities, dragging on growth in Australia, Brazil and other supplier countries.
Growth in the Commonwealth of Independent States contracted due to several factors. These factors included the sharp fall in commodities prices, restrictions on access to international capital markets, due to sanctions against Russia, and a deceleration in China, which is the region's main trading partner.

2. Belgian economic environment in 2015[4]

Belgian economic growth continued at a moderate pace, (GDP +1.4% against +1.3% in 2014), largely due to a combination of the improved competitiveness of companies, wage dynamics and employment growth. This supported household spending.
On-going improvement in the consumer confidence, since 2014, boosted household consumption to the detriment of the household savings, which dropped back from 13.4% in 2014 to 11.7% in the third quarter of 2015. Although the labour market was doing well, the wage moderation (skip automatic wage indexation) and the rise in indirect taxes (in particular those on electricity) curbed real disposable income of households. This again restricted savings. Moreover, the continued low interest rate environment also contributed to the reduced attractiveness of savings products. As an alternative, investment products such as mutual funds have seen increased interest from return seeking investors.

Credits have become more attractive, resulting in a surge for mortgage loans across the market. However, the same low interest rates have led to an exceptional increase in mortgage loan prepayments and refinancing. The latter impacts the future interest income generating capacity of the outstanding loan portfolios.

[1] Source: Focus Economics, U.S. Economic Outlook, February 2, 2016
[2] Source: IMF; The Role of Emerging Markets in a New Global Partnership for Growth, February 4, 2016
[3] Source: Focus Economics, China Economic Outlook, January 26,2016
[4] Source: BNB, Economic Indicators, March 2, 2015

Firms benefited from a strong improvement in their cost competitiveness, driven by government measures (labour costs cutting), exchange rates and financing conditions. These components caused strong improvements in profit margins and supported exports and investments.

Activity growth and labour cost cutting boosted job creation (36,800 jobs). The unemployment rate (harmonized) decreased slightly by 0.2% from 8.5% to 8.3% in 2015.

Because of declining energy prices and a cut in the VAT rate on electricity, inflation continued to fall, settling the inflation at a historically low level at the beginning of the year. However, it reappeared positive in April and has risen steadily since then (0.6% against 0.3% in 2014).

The European Central Bank (ECB) maintained its refinancing rate at 0.05% to counter the persistent weakness in inflation. The ECB announced to continue its quantitative easing program until March 2017, launched in March 2015, in order to stimulate growth and to stop the deflationary spiral.

C. Results of activities

1. Belgian retail bank

2015 will go down as an excellent commercial year, grasping the first benefits of the transformation plan launched in February 2014. The ultra-low rate environment has however caused an unseen wave of prepayment and internal refinancing in mortgages, which will heavily weight on the P&L of the Bank moving forward.

As part of the transformation, we completed the FAST (Fair, Attentive, Simple and Transparent) repositioning of our product offer, including a renewed professional credit offer for independent professions and very small companies, and a renewed Invest offer with two profiled funds of funds and a new MIFID tool.
Subsequential to our mobile offer and our new website, we enriched our digital offer with a new Home Bank that conveys the Bank's style of proximity and simplicity. In addition, we pursued several initiatives aiming at increasing the professionalism of our independent agents, including our Axaler@ction training program.
More than ever, we aspire to be a radically simplified bank with high proximity, serving almost 1 million retail customers in Belgium.

- Savings and Investment

The overall growth in the savings and investment portfolio reached +356 million euros, which is quite comparable with 2014 (+473 million euro). This was essentially derived from the transformation of the portfolio of the Crest insurance product. After successive rate cuts on our savings and term offers, we noticed a growing client appetite for EMTN and funds, in particular during the second semester of the year.

Savings - In the context of successive rate cuts, we registered a moderate growth in our savings portfolio (+442 million euro) which only partially compensated the organised decreases in our term deposits portfolio (-454 million euro) and in our certificates portfolio (-78 million euro). Our EMTN portfolio grew with +159 million euro, vs. +129 million euro in 2014, despite difficulties in structuring this type of product in a low-rate environment.

Investment – Once all building blocks of our Push Invest program were delivered, including the extensive training of our network, a decent growth of our Invest portfolio was registered for the first time in years, mainly during the last two months of 2015.

Net volumes (€M)	2014	2015
AXA Funds	19	137
Others	-25	-30

- Credits

Mortgage Loans - 2015 was the all-time record year for the production of mortgage loans. Ultra-low rates boosted an exceptional growth in new production and external refinancing at historically high margins, but also in prepayment and internal refinancing. This exceptional growth allowed the Bank to preserve its 8% market share.

Net Volumes (€M)	2014	2015
Mortgage Loans (total)	3,212	5,563
Including internal refinancing	878	2,696

Instalment Loans - Sales volumes increased in 2015 in comparison with 2014 by 18 million euro or +6%. Our production remained concentrated in car loans (170 million euro) and Immo loans (77 million euro).

Net Volumes (€M)	2014	2015
Instalment loans	287	305

Commercial loans – Without any change in our risk appetite, our credit production to independent professions and very small companies increased in 2015 by 18% in comparison to 2014. This is in line with the commercial re-boost of the segment, initiated from April onwards, as part of our objective to reposition the Bank building on its franchises. Our production remained concentrated in Immo4Pro (153 million euro) and Car4Pro (60 million euro).

Net Volumes (€M)	2014	2015
Commercial loans	300	356

- Daily Banking

All our daily banking indicators increased in 2015 in comparison with 2014: number of accounts (+16k), number of active accounts (+14k), number of online clients (+30k), number of credit cards (+23k) and number of first bank clients (+20k).

2. ALM

The Asset and Liability Management framework (ALM) at AXA Bank Europe is an essential component of the balance sheet management. Its main purpose is to manage AXA Bank Europe's exposure to interest rate-, liquidity-, and foreign exchange risks. These risks are managed within the risk appetite framework, set by AXA Bank Europe's board of directors and within the applicable regulatory constraints in the banking sector.

AXA Bank Europe is experiencing an intense refinancing and prepayment wave, which started mid-2014. The current and future cumulative cost of these prepayments and refinancing of fixed mortgages (together with basis risk on variable mortgages) has partially been offset by the realization of capital gains from the investment portfolio. In 2015, 573 million euro of bonds (including corresponding asset swaps) were sold, realizing 21.5 million euro of profit. In 2015, AXA Bank Europe has also secured some of its future capital gains through the forward sale of bonds.

ALM has actively hedged the net new interest rate position, arising from the monthly production of retail assets and liabilities, including pipeline risk. The cap risk embedded in variable rate retail mortgages (most at risk of materializing in a rising interest rate environment) was hedged consequently.

The investment portfolio, managed within a strict limit framework is composed exclusively of high quality European sovereign debt, supranational exposure and covered bonds, without any foreign exchange risk. The size of the portfolio was decreased by 1.3 billion euro versus 2014 and stands at 7.4 billion euro (including unrealized Mark-to-Market) at the end of 2015.

AXA Bank Europe decided to participate in the TLTRO funding opportunity offered by the ECB for 154 million euro, in December 2014, to lock in structural funding at an attractive rate and for diversification reasons. The reimbursement timing of this TLTRO will depend on the evolution of the non-retail loans production (backing the funding) since May 2014.

3. Treasury & Intermediation

AXA Bank Europe’s treasury & intermediation department provides mainly in funding, cash management and derivatives, for the retail business of AXA Bank Europe as well as for several AXA group entities.

AXA Bank Europe decided in April to switch from the Libor/Euribor discounting to the OIS discounting (i.e. dual curve) methodology for the valuations of its Interest rate swaps and swaptions derivatives portfolio.
This decision was taken as AXA Bank Europe assessed that this new method represents the best market practise applied by almost all its counterparties and the internally developed process demonstrated accurate results. This change, which was initially planned after the new version of the front office application (i.e. Sophis V7 – planned for February 2016), has already been implemented in the current version of the system (i.e. Sophis V5), thanks to an additional automated process which renders the calculation of the expected forward cash-flows and discount factors possible.

- Short term liquidity and funding vehicles as a support for the growth of the retail business

AXA Bank Europe’s liquidity position, that is immediately available, remains comfortably larger than the regular required liquidity buffer within the Liquidity Coverage Ratio (LCR). The funding obtained through our EMTN program stands at 1.5 billion euro at end December 2015. The coupons for these EMTN issuances are structured in-house and hedged in the market. Besides the retail EMTN program, the AXA Bank Europe SCF covered bond program size was stable at 3.9 billion euro of which 3.2 billion euro remains on a consolidated level.

- Derivatives business with AXA Group entities

AXA Bank Europe provides derivative execution and processing services, exclusively for insurance entities of AXA Group worldwide. The provided services include execution, clearing, valuation and (EMIR) reporting publications. Although the new volume of derivatives dealt over 2015 for this purpose were at an unprecedented high level, AXA Bank Europe’s off balance sheet derivative outstanding with AXA Group entities were maintained relatively stable from 62.3 billion euro in 2014 to 64.4 billion euro in 2015, as volume compressions in plain vanilla derivatives were organized more frequently and were more important in size. EMIR central clearing of new derivative transactions and regular backloads of the stock of plain vanilla derivatives have become common practice at AXA Bank Europe since 2014 and continued over 2015.

4. Hungarian branch

- Market conditions

Central Bank monetary policy was encouraged by the drop in inflation. Prices were stagnant over 2015 with inflation picking up from -0.9% in December 2014 to +0.9% at the end of 2015. As a better indicator of underlying inflationary processes, core inflation fluctuated between -0.2% and 0.4% in 2015.

After a volatile period in January 2015, the Hungarian Forint strengthened with 5% against the EUR, reaching 295.62 in April, which was then reversed by the end of June. In the second half of the year, the HUF remained relatively stable against the EUR, fluctuating between 308 and 318.

- Savings activities

The main goals for 2015 were (i) to provide stable funding for the converted loan portfolio, (ii) to optimise the margin of the bank by decreasing rates on dormant term deposits (iii) to re-integrate inactive current account customers.

The deposit portfolio declined by 3% over the course of 2015 and stood at 390 million euro outstanding at the end of the year. The main factors behind this drop were:

- A declining interest rate environment which resulted in a sector-wide outflow of 21% in short-term deposits in the first 11 months of 2015.
- A more aggressive pricing strategy which led to an outflow in term deposits, but allowed a decrease in the average interest paid to customers by 50 basis points to 1.52%.

In terms of business innovation, significant improvements were made by:

- Improving the current account client base by reactivating dormant customers.
- Maintaining a cutting edge position in the mobile application segment by introducing push notifications, term deposit placements and extending the availability to corporate customers.
- Enhancing brand awareness by appearances at various festivals (e.g. Sziget festival) and executing a multi-channel media campaign.

- Credit Activities

Since December 2011, the AXA Bank Europe loan portfolio in Hungary is managed in run-off. Its volume shrunk by 22% in 2015 alone and 44% over the last 4 years, arriving at 811 million euro at the end of 2015.

In 2014, the strategy of reducing exposure to portfolio risks continued. The total foreign currency denominated loan portfolio which was converted, in 2015, to a loan portfolio denominated in HUF, provided for the most significant change. This eliminated all FX risk related to the lending operations of the branch as all loans in the branch were now denominated in the local currency (HUF). Additionally, a substantial improvement in the quality of the loan portfolio was observed after the corresponding legal rules were implemented in March 2015, resulting in lower monthly instalments for the majority of the clients.

On top of the recent government schemes which improved the situation of the clients substantially, active management of non-performing loans was implemented at the branch (i) by making new loans available with customized monthly payments to borrowers in financial difficulty, (ii) through mechanisms for assistance with the sale of properties and (iii) by optimising the utilisation of governmental programmes such as help from the National Asset Management Company (NAMaC) that facilitates the sale of loans to a social institution.

- Net Result

Net profit for AXA Bank Europe in Hungary stood at -53.4 million euro on a consolidated level, including +80.8 million euros hedging result related to the forced conversion of loans booked at AXA Bank Europe Head Office.

Net profit improved by 58.2 million euro compared to 2014 (-125.6 million euro) because of (i) 101 million euro due to the non-repeat of the 2014 provisions for client compensations & loan conversions, (ii) 35 million euro improvement in the cost of risk, partly offset by (iii) an exceptional provision of 76.8 million euro for the restructuring of the branch.

5. Agreement on the sale of the Hungarian activities

The sale of AXA Bank Europe's Hungarian activities is part of a strategic development initiated several years ago, aiming to refocus the bank solely on its Belgian activities: the retail bank and intermediary services supporting AXA entities.

This strategy led to the bank progressively and reducing its risks by closing its foreign entities in Switzerland, France (execution desk), the Czech Republic, Slovakia and Poland (IT centre). Within the scope of its Hungarian activities in particular, AXA Bank Europe placed the credits portfolio in “run-off” at the end of 2011, meaning that no more loans have been agreed by AXA in Hungary since that date.

The effect of the 2008 financial crisis was magnified in Hungary due to the fact that a large part of the loans were denominated in foreign currencies. This denomination seriously affected the local economy and the banking market in particular, causing significant harm to the bank’s profitability over the course of recent years.

A contract of sale was signed at the start of February 2016 with OTP, Hungary's largest bank, covering the sale of all AXA Bank Europe's Hungarian activities and including the credit portfolio, deposit portfolio, entire workforce and operational systems. The effective transfer date is predicted to be in the last quarter of 2016, remaining subject to prior approval from the competent authorities, and the conditions of use.

The sale is generating an accounting impact of -80 million euro (before tax). Taking the deductibility of this sum into account, the net impact of the sale will reach -53 million euro. This result is furthermore partially compensated by the net positive result 9 million euro in 2015 (excluding exceptional elements) of the Hungarian branch.

D. Comments on the consolidated results

1. Comments on the profit and loss accounts

The comments compare 2015 with 2014 re-classified, following the application of IFRS 5.

- Net interest income

Net interest income activities amounted to 236 million euro in 2015 or an increase by 23.5 million euro versus the previous year. In the current low interest rate environment, lower funding costs translated into solid margins on lending business. However, this was partially offset by negative hedge results due to impact of mortgage prepayments and refinancing. On the deposit side, margins were resilient thanks to client rate cuts implemented in line with the overall market trend.

- Net fee and commission income

Net commissions and fees amounted to 7.9 million euro or an increase by 0.8 million euro. The increase was supported by strong results in the investment product sales' related fee income, in line with the bank's strategy, and mitigated growth of distribution commission expenses, triggered by the newly implemented bank agent remuneration scheme.

- Administrative Expenses

Administrative Expenses amounted to 247 million euro or an increase by 15 million euro versus previous year. Disregarding bank taxes, which increased from 41 million euro to 51 million euro, and change in booking methodology of the cost of the network charged to AXA insurance (- 10 million euro), administrative expenses stood at 227 million euro or a reduction of 5 million euro. This reduction was realized by the successful implementation of different cost reduction initiatives only partially offset by cost increase due to wage drift and volume growth.

- Provisions for loan losses

Net allowances for loan loss reserves – reported under Impairment and Other operating income – related to the Belgian retail business reached 20 million euro in 2015, 3 million euro less than during the previous year. The portfolio consists primarily of mortgage loans where the cost of risk on the entire credit portfolio in Belgium is 9 basis points over 2015, 4 basis points lower compared to 2014. The drop in cost of risk achieved in the context of very high production is the result of the risk measures taken since 2013 that significantly reduce the number of non performing files.

- Net result

Net profit amounted to 27.2 million euro or an increase of 75.4 million euro above 2014. When disregarding the negative impact of the sale of the Hungarian activities at -80 million euro, the net result amounted to 108 million euro.

Net profit/loss (€m)	2014	2015
AXA Bank Europe	-48	27
Belgium (before eliminations)	77	98
Hungary (before eliminations)	-125	9
Hungary Discontinuation related cost	-	-80

2. Comments on the balance sheet and off-balance sheet

The size of the balance sheet of AXA Bank Europe reached 30.9 billion euro versus 42.6 billion euro in 2014. For a big part thanks to AXA Bank Europe's active netting of its derivative portfolio, an overall decrease of 11.7 billion euro has been realized. Moreover, as part of the further deleveraging of AXA Bank Europe's balance sheet, the reverse repo activity has been significantly decreased from a volume of 4.27 billion euro end 2014 to 0.96 billion euro at end 2015. As a consequence the treasury balance sheet has significantly been reduced, hence also impacting the refinancing volumes through repo in a comparable way.

3. Change in the consolidation scope

On December 31st 2015, the scope of consolidation for AXA Bank Europe included the following companies: AXA Bank Europe SA, including branches in Hungary and Poland, Royal Street SA, AXA Belgium Finance BV and the Société de Crédit Foncier (SCF). The activities regarding the IT Center Poland were terminated in 2015.

E. Comments regarding the statutory accounts and allocations of earnings

The statutory loss of the year 2015 amounts to 6.3 million euro. The accumulated losses at the end of 2014 were at 50.9 million euro. Consequently, the negative cumulative impact on December 31st 2015 amounts to 57.1million euro.

The Board of Directors proposes to carry forward the result.
Having regard to Article 96.6 of the Companies Code, and despite the fact that the income statement has shown a loss for the year for more than three successive years, the board confirms the continuation of the company's activities and justifies the application of continuity accounting rules by the fact that losses originate in the costs are strongly impacted by the provision for discontinued operations of 92 million euro related to the sale of the Hungarian Branch. Excluding this element we have a strong positive result in line with the actions taken in the bank's transformation plan.

F. Significant events after 2015

As per February 2nd 2016, AXA Bank Europe signed a business transfer agreement for the sale of its Hungarian branch with OTP Bank. Completion of the transaction is subject to the approvals of the competent authorities and customary conditions. It should be finalized during the last quarter of the year. There is no impact of the signing of the contract on the provisions that were accounted for based on Management's best estimate per 31/12/2015.

G. Liquidity and solvency

Liquidity for AXA Bank Europe remained at a comfortable level throughout 2015. As per 31 December 2015, the Liquidity Coverage Ratio (LCR) is at 139% (143% in 2014) and Net Stable Funding Ratio (NSFR) at 139% (122% in 2014). This position is based on a combination of funding sources such as deposits from retail customers and covered bonds for the institutional market.

AXA Bank Europe shows high solvency further strengthened over 2015 thanks to its continued prudent investment strategy and reservation of end of year profits. All solvency ratios improved over the year. As per 31 December 2015, AXA Bank Europe's Tier 1 ratio stands at 20.0% (18.2% in 2014) and total capital ratio at 21.2% (20.1% in 2014). These ratios significantly exceed the regulatory requirements. These same ratios fully loaded, i.e. calculated as if Basel III were already in full force, amounted to 22.4% and 23.1% respectively (20.6% and 21.5% in 2014), demonstrating that the bank has anticipated the implementation of Basel III.

In connection with the contemplated implementation of the non-risk based leverage ratio, basically comparing Tier1 capital to unadjusted total assets, the bank has started a program to decrease its balance sheet. As a consequence, the bank's leverage ratio has significantly improved to 3.42%[1] at the end of December 2015 (2.84% in 2014) or 3.81% (3.22% in 2014) when fully loaded.

AXA Bank Europe's capital increase, occurring in September 2014 (+135 million euro), was performed without creating new shares, with the bank only having a single shareholder.
Nevertheless, in order to keep the accountable part of the existing shares at the same level of before the capital increase (i.e. €1.3799), in April 2015 the shareholder decided to redefine their number to take them from 395,911,750 units to 493,744,650 units.

[1] Pursuant to the EU Regulation on prudential requirements for credit institutions as amended by the delegated Regulation of 10 October 2014 on the leverage ratio.

H. Main risks and uncertainties

Because of the nature of its activities, AXA Bank Europe is exposed to certain risks. The main risks are the counterparty risk (risk of default), market risk, liquidity risk and operational risk. These risks are managed through a framework defined annually by the Board of Directors. These various risks are described in more detail in Section 4 of our annual accounts.

In 2014, AXA Bank Europe took part in the ECB's Asset Quality Review. This exercise has led, amongst others, to the drawing up of qualitative recommendations. All of these were dealt with in 2015. The main impact which resulted from this was the implementation of a new definition of default (in line with the ITS published by the EBA in July 2014) on our retail loan portfolio. AXA Bank Europe chose to implement a very strict definition of default which has been reflected in an increase of the amount of "unlikely to pay" loans and the relevant provision amounts without the quality of the underlying portfolios being changed.

During 2015, the Belgian mortgage loan market experienced a significant amount of refinancing activity. This activity enabled a reduction in the overall risk on our main portfolio through a significant issuing of new credit with a very good quality risk profile. Our instalment debt strategy, the aim of which is to change the quality of the portfolio and which has been implemented since 2013, is making a significant contribution to the reduction of credit risk on this portfolio.

The conversion of our portfolio from Swiss Francs (CHF) to Hungarian Forints (HUF) of loans managed by the Hungarian branch has led to a substantial reduction in credit risk. The result of this conversion had been provided for in 2014 and did not lead to any significant impact in 2015. Given the reduction in underlying risk and the improvement in the Hungarian property market, AXA Bank Europe reversed provisions on this portfolio. With the sales agreement for these activities and in the event of a positive closure of this transaction, the credit risk relating to this portfolio will disappear in 2016.

I. Management bodies and governance

1. Composition of management bodies

Board of Directors	Management Committee	Audit Committee	Risk Committee	Nomination Committee and Remuneration Committee
Jacques de Vaucleroy, Chairman				Chairman
Jef Van In	Chairman			
Sabine de Rycker	✓			
Céline Dupont (since 01/04/2015)	✓			
Françoise Gilles	✓			
Jeroen Ghysel	✓			
Marie-Cécile Plessix (since 01/01/2016)				
Frank Koster				✓
Patrick Lemoine		✓	✓	
Emmanuel Vercoustre	✓			
Marc Bellis, independent director				✓
Patrick Keusters, independent director (since 01/01/2016)		Chairman (since 04/02/2016)	✓	
Philippe Rucheton, independent director		✓	Chairman	
Emmanuel de Talhouët (until 24/03/2015)				
Stéphane Slits (until 31/03/2015)	✓			
François Robinet (until 31 December 2015)				

Auditors: PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises sccrl, represented by Tom Meuleman (accredited auditor)

2. Modifications occurring in 2015 and since 1 January 2016

Board of Directors:

- nomination of Céline Dupont, effective on 1st April 2015
- nomination of Marie-Cécile Plessix, effective on 1st January 2016
- nomination of Patrick Keusters, effective on 1st January 2016
- resignation of Emmanuel de Talhouët effective on 24th March 2015
- resignation of Stéphane Slits effective on 31st March 2015
- resignation of François Robinet on 31 December 2015

Executive Committee:

- nomination of Céline Dupont, effective on 1st April 2015
- resignation of Stéphane Slits effective on 31st March 2015

Audit Committee:

- nomination of Patrick Keusters, effective on 4th February 2016

Risk Committee:

- nomination of Patrick Keusters, effective on 1st January 2016

Nomination Committee:

- nomination of Frank Koster, effective on 1st January 2016

Remuneration Committee:

- nomination of Frank Koster, effective on 1st January 2016

3. Competence and independence of the Audit Committee and the Risk Committee

AXA Bank Europe's Audit Committee and Risk Committee consist of Philippe Rucheton, Patrick Keusters and Patrick Lemoine, the first two being independent directors.
The Risk Committee was formed within the executive board by decision of the board on the 5th of December 2014, pursuant to article 27, 2nd of the law of the 25th of April 2014 relating to the articles of association and monitoring credit institutions.
Its members hold the status of non-executive directors. At least one of them must be independent in the sense of article 526 of the Companies Code. It has been in operation since 1st January 2015.
Each of its members possesses the knowledge, skills and experience required for understanding and identifying the bank's strategy and level of risk tolerance. On these subjects, they are called on to advise the members of the Executive Board and to assist them in their role of supervising the executive committee's implementation of the strategy.
Following on from a recommendation by the European Central Bank – namely to entrust the presidency of the Risk and Audit Committees to different persons – the Executive Board has designated Patrick Keusters as president of the Audit Committee, and Philippe Rucheton as the one of the Risk Committee.

Philippe Rucheton was appointed independent director of AXA Bank Europe on 24 April 2014. He is a graduate of the Ecole Polytechnique, the Institut Supérieur des Affaires and the Sorbonne. He was a director and finance director at Dexia between December 2008 and March 2014. Prior to that he worked at Société Générale as CFO of Newedge Group, a brokerage firm; as Vice President of its Czech banking subsidiary and from 1995 to 2002, as ALM director. He started his career at the Louis-Dreyfus Bank and at the BRED, and was director for 20 years at Bernard Controls, an industrial company. At the age of 66, Philippe Rucheton thus has ample experience in banking and investment, general management as well as financial management and monitoring. He is also familiar with the Belgian market since 2008.

Patrick Keusters was appointed independent director of AXA Bank Europe on 1st January 2016. He graduated in Law and has a Master's in Management from the Vlerick School. He began his career in 1985 at Citibank, where he specialised in Corporate Banking. He went to the Banque Degroof in 1992 where, in 2000, he became director and member of the executive committee. In 2002 he assumed the role of managing director, first at the Banque Degroof Luxembourg and then, between 2004 and 2015, at the Banque Degroof Belgium. His responsibilities there covered Operations, Accounting, Compliance, Loans, Legal and Tax Affairs and Facilities. He was also president of the specialized banks section of Febelfin.

Philippe Rucheton and Patrick Keusters both meet all the criteria of independence listed in article 526 ter of the Companies Code.

Patrick Lemoine was appointed director of AXA Bank Europe on 1st January 2010. He is a Mining Engineer (EMSE), has a degree in Higher Accounting Studies, an MBA from INSEAD and is an actuary. He began his career in 1981 at Crédit Lyonnais and since then has gained vast experience as a technical director in damage insurance and as a finance director in the insurance sector, in France and in Canada.

Based on the above, the executive board is able to justify the individual and collective competence of the members of the Audit Committee and the Risk Committee.

4. Competence and independence of the Nomination Committee and Remuneration Committee

AXA Bank Europe's Nomination and Remuneration Committees consist of Jacques de Vaucleroy, Frank Koster and Marc Bellis, all three non-executive directors.

Jacques de Vaucleroy is a lawyer, graduated from Université Catholique de Louvain (UCL) and has a Master's in Company Law from the Vrije Universiteit Brussel (VUB). He spent most of his career within the ING Group, where he was notably a member of the executive committee. He had 23 years of experience in insurance, share and banking management, in Europe and the United States, when in 2010 he was appointed managing director of AXA's Northern, Central and Eastern Europe region (NORCEE). He is a member of the management committee and executive committee of AXA (FR).

Frank Koster was appointed non-executive director of AXA Bank Europe in November 2014. Since September of the same year, he was director and president of the management committee (CEO) of AXA Belgium. Prior to that, he was CEO of ING Insurance Asia Pacific since 2009. He started his career within the ING Group in 1996 where he performed various roles in the Netherlands and in Asia: Chief Marketing Officer of ING Insurance Korea from 2001 to 2003, CEO of ING Vysvya Life Insurance from 2004 to 2006 and the Group's Communication and Corporate Affairs Manager in the Netherlands from 2006 to 2009.

Marc-Antoine Bellis was appointed independent director of AXA Bank Europe since the 23rd of August 2011. He is a doctor of Law and graduated in Economic Law from ULB, and was a consultant in tax law for eight years. He was a lawyer at the Brussels Bar. He has since then gained considerable experience in loans, ALM and risk and bank management, including internationally. Between 1994 and 2002 he was CEO of Fortis UK, and up to 2007 CEO Corporate, Institutional & Public Banking for the Fortis Group. He was Chairman of the Belgian Luxembourg Chamber of Commerce in Great Britain and administrator of the Foreign Banks and Securities Houses Association.

Consequently, the Executive Board is able to justify the individual and collective competence of the member of the Nomination and Remuneration Committees.

5. Remuneration policy

- Remuneration of non-executive directors

The remuneration of non-executive independent directors of AXA Bank Europe takes into account their investment in relation to the work of the executive board. This is in line with market standards.

They are remunerated in the form of fees set by the General Meeting.

Furthermore, members of committees created within the Executive Board receive, for their specific roles, an annually set remuneration by decision of the executive board, in accordance with the articles of association.

With non-executive non-independent directors being employees of an entity of the AXA Group, their mandate within AXA Bank Europe's executive board does not lead to any supplementary remuneration.

In general, non-executive directors do not receive any variable remuneration.

- Remuneration of executive directors

General principles

The remuneration policy applied by AXA Bank Europe rests on the AXA Group's remuneration policy, and is in accordance with the Law relating to articles of association and monitoring credit institutions of 25 April 2014, known as the Banking Act. The main objective involves aligning the principles and structure of AXA Bank Europe's remunerations with sound and efficient management of the company (including risk monitoring).

So as to guarantee conformity with the remuneration policy, this is regularly reviewed by the Remuneration Committee and the Group's Governance, and by the remuneration committee of the executive board concerned.

The policy concerning the remuneration of management teams should allow:
- to attract, develop, retain and motivate talent
- to encourage and reward the best performance,
  - both on an individual and collective level, and
  - in the short, medium and long term
- to align the remuneration level with the results of the company and of the AXA Group
- to guarantee adequate and efficient risk management

It is guided by three principle directors:
- the competitiveness of remunerations
- the coherence and internal equity, based on individual and collective performance
- the results and the financial capacity of the company and of the Group

Taking into account the importance and complexity of the entity considered, this policy aims at the following five categories of staff (hereinafter "Identified Staff"):

- Category 1: The members of the Management Board
- Category 2: Senior management
- Category 3: Persons involving risk-taking
- Category 4: Persons occupying independent monitoring positions
  "Independent monitoring positions" should be understood to mean: positions such as internal audit, compliance, risk management, generally performed by persons who, through their checks, their assessments and their advice, provide the company's management with the instruments necessary for assuming the responsibility for managing the financial institution;
- Category 5: Employees whose total remuneration places them at the same level of remuneration of senior management or persons occupying a position involving risk-taking.

Structure of the remuneration of Identified Staff

The remuneration policy is structured in such a way that the total remuneration package is shared in a balanced way between the fixed component and the variable component.
The composition of the total package aims not to encourage any risk-taking. The fixed component of the total remuneration package is significant enough to guarantee a totally versatile variable remuneration policy being set out, and notably the possibility of not paying any remuneration.

Fixed remuneration

Determining the basic remuneration - The remuneration of the Identified Staff is determined by taking organisational responsibilities into account, as defined in the job description and the positioning in relation to the external benchmark.

Certain categories of Identified Staff receive a recurring position allowance not associated or subject to performance criteria. In the event changing position to position not intended by the Banking Law, the person is no longer entitled to the position allowance.

Development of the basic remuneration - Decisions concerning the development of the fixed remuneration of Identified Staff are based on performance and positioning in relation to the external benchmark.

Every benefit year, AXA Bank Europe determines the budget available for the development of the basic remuneration of Identified Staff.

The results of AXA Bank Europe's past benefits year (compared with the objectives defined) will be a determining factor in setting the budget for the development of the basic remuneration.

In cases where AXA Bank Europe’s statutory results of the past benefits year are negative or significantly lower than the set objectives, or for reasons of legal restrictions, AXA Bank Europe may decide to limit the budget needed for the increases to which AXA Bank Europe will be obliged pursuant to legal and/or contractual provisions.

Variable remuneration

The variable component is composed of two parts:

- A non-differed variable component
- A differed variable component

Non-differed variable remuneration - Determining variable remuneration
The non-differed variable component is determined based on a total available budget defined every year depending on the variable basic budget for each band. Within the limit of the budget available, the non-differed variable budget is determined depending on individual performance, set depending on the rate of achieving individual quantitative and qualitative objectives;

Individual performance is measured annually based on two elements:

- Achieving business results determined based on the objectives constituting the quantitative and qualitative elements (general attitude, taking risks into account, alignment with interests of clients, employees and shareholders, annual and multi-annual impact)
- Behaviour, measured by means of the AXA Group’s leadership skills model (“AXA Leadership Framework”)

The performance of AXA Bank Europe, as well as that of the AXA Group, is taken into consideration by means of the result of the STIC (Short Term Incentive Compensation) Grid. This “STIC Grid” consists of key indicators of activities and results with each receiving a certain weighting, and taking risk criteria into account.

In the event the entity and/or the group performs poorly, the individual variable remunerations determined within the scope of the funding available will automatically be reduced proportionately.

Fixed remuneration – variable remuneration relation

The variable remuneration of each person of the Identified Staff is limited to a maximum of the following two amounts:

- 50% of the fixed remuneration
- €50,000, without this amount being able to exceed that of the fixed remuneration

Differed variable remuneration - In accordance with the Banking Act, at least 40% of the variable remuneration is granted in the form of differed variable remuneration, and 50% of the variable must consists of financial instruments. BNB's current administrative circulars authorise an exception to this rule for employees whose variable remuneration does not exceed €75,000.

AXA has a long-term remuneration plan, the rules of which are determined by the policy of the AXA Group. These rules may be adapted regularly, notably depending on decisions taken at the level of the AXA Group's executive board, and the development of international regulatory framework.

This manner of remuneration, supported by employees' long-term profit-sharing, allows a significant part of the variable remuneration to be deferred, all in accordance with the requirements of laws and national and international regulations, and the requirements of national and international regulators.

The differed variable component consists of two main vehicles, namely share options and "Performance Shares".

<u>Specific rules relating to variable remuneration of Identified Staff employed on the trading floor</u>

The variable remuneration fund is determined every year. It is calculated depending on the operating result of the trading floor activities. The distribution of the fund between the trading-floor employees as a whole is at the discretion of the management, and rests on attaining the individual quantitative and qualitative objectives set at the start of the year, and strictly respecting risk monitoring.

<u>Specific rules relating to variable remuneration of independent monitoring positions</u>

The above mentioned principles of remuneration are similar for category 4 of the Identified Staff, namely persons occupying independent monitoring positions (and including the Chief Risk Officer).

AXA Bank Europe's performance is not taken into account for determining variable remuneration effectively paid.

Non-differed variable remuneration is wholly and exclusively determined based on specific individual criteria associated with the position (individual performance).

Differed variable performance is exclusively determined based on the performance of the AXA Group.

<u>Compensation in the event of contract termination</u>

Without prejudice to the application of legal and regulatory provisions and agreements binding the company, severance payment that might be agreed with a person affected is determined so as not to reward failure or irregular behaviour.

For salaried members of staff, AXA Bank Europe ensures to respect the application of the legal provisions.

If an agreement relating to granting severance pay is concluded with a non-salaried director, the total of the payments granted shall not exceed 12 months of fixed and variable remuneration. An opt-out clause is only possible on the condition of a reasoned opinion from the remuneration Committee and prior approval from the general meeting.

- Governance

The Executive Board has decision-making competence concerning the establishment of the remuneration policy and decision-making relating to the individual remuneration of the persons affected. In this domain, it is assisted by 2 committees: the Remuneration Committee and the Risk Committee.
The Remuneration Committee actively contributes to implementing the remuneration policy. It consists of non-executive directors, at least one of whom is independent in the sense of the Companies Code. It is composed so as to allow it to exercise pertinent and independent judgement on remuneration policies and practices, and on the incentives created regarding the control of risks, equity requirements and the liquidity position.

The work of the Remuneration Committee consists in proposing, in the form of advice and in accordance with the remuneration policy, decisions to be taken by the Executive Board relating to remuneration principles and procedures. It is also entrusted with preparing decision to be taken by the Executive Board, taking into account the repercussions on the company's risk and risk management on the one hand and the long-term interests of shareholders, investors and other stakeholders in the institution on the other, as well as the public interest.

The remuneration policy may be revised by decision of the Executive Board on a proposal from the Remuneration Committee at any time, and notably in the event of legislative amendment associated with labour, accounting and tax law, as well as in the event of the rules of governance changing.

Its implementation is subject, at least once a year, to an internal assessment aiming to verify whether it respects the remuneration policies and procedures adopted by the Executive Board. If need be, the Remuneration Committee will make adaptation proposals that are imposed.

The Risk Committee, consisting of non-executive directors, at least one of whom is independent in the sense of the Companies Code, examines whether the incentives provided by the remuneration system take into account the appropriate manner of risk control, equity requirements and the liquidity position of AXA Bank Europe, as well as the probability and staggering of profits, so as to ensure sound and efficient management of risk, preventing risk-taking exceeding the level tolerated by AXA Bank Europe.

AXA Director	Position at AXA Bank Europe	Company or external mandate exercised	Registered Office	Area of activity	Registration on regulated market	External position exercised	Shareholding relationship with AXA Bank Europe more than 5%?
Jacques de Vaucleroy	President of the Executive Board	Delhaize Group	Rue Osseghem 53 1080 Brussels (Belgium)	Food retailer	Euronext Brussels NYSE	Non-executive director	No
Patrick Keusters	Independent director	Virix SA	Keizershoek 350A 2550 - Kontich	Real-estate projects	No	Non-executive director	No
Philippe Rucheton	Independent director	Bernard Controls	4, rue d'Arsonval BP 76091 95505 Gonesse (France)	Electro-mechanical	No	Non-executive director	No
François Robinet	Non-executive director	MicroCred SA	44, rue du Prony, 74017 Paris (France)	Social-purpose micro-credits	No	Non-executive director	No

AXA BANK EUROPE NV

Statutory auditor's report to the general shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

7 April 2016

Free Translation

This document is a free translation of the report issued by PwC Bedrijfsrevisoren/PwC Reviseurs d'Entreprises bcvba/sccrl in the Dutch and French language on 7 April 2016 on the consolidated financial statements of AXA Bank Europe NV (prepared in the Dutch and French language). The audited consolidated financial statements of AXA Bank Europe NV and the accompanying auditor's report will be deposited and will be available at the National Bank of Belgium (www.nbb.be). The accompanying free translation of the consolidated financial statements has not been audited by PwC Bedrijfsrevisoren/PwC Reviseurs d'Entreprises bcvba/sccrl, so we are therefore only liable in the context of our audit report originally drafted in the Dutch and French language.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AXA BANK EUROPE NV FOR THE YEAR ENDED 31 DECEMBER 2015

In accordance with the legal requirements, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of AXA Bank Europe NV ("the Company") and its subsidiaries (jointly "the Group") for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to EUR '000' 30.909.656 and the consolidated statement of comprehensive income shows a profit for the year of EUR '000' 27.228.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2015 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Sint-Stevens-Woluwe, 7 April 2016

The Statutory Auditor
PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba
Represented by

Tom Meuleman
Réviseur d'Entreprises / Bedrijfsrevisor