AXA Bank Europe

Management Report 2016

redefining / standards

AXA

Table of Content

Message from the Chairman of the Board of Directors & the Chief Executive Officer

In 2016, the banking sector in Europe and in Belgium faced a contrasted environment : on one hand : persistent low interest rates, extremely high volumes of mortgage credit refinancings and prepayments, again higher bank levies, accelerated changes in customers' behaviour, supervisory intensified scrutiny and numerous regulatory changes. On the other hand, some factors played positively: abundant liquidity, low inflation, acceleration of economic growth (albeit still at a low pace) and further improvement of credit performance. In this environment AXA Bank was able to remain on course thanks to its transformation plan, launched two years ago to further strengthen its commercial and financial performances and pursue its transformation. Despite a lower Net Banking Product due to refinancings and lower capital gains realization, AXA Bank posted a 98 million euro net income (FINREP) up 66 million euro vs 2015 thanks to lower administrative expenses (-182 million euro, down -4 million euro from 2015) and lower cost of risk (-7 million euro down -13 million euro from 2015).

The key pillars of the bank's strategy remained, on one hand, the focus on selective growth while being more efficient, and, on the other side, the accelerated transformation of its platform. During the year, the bank focused its commercial development on the strengthening of its relationship with its clients aiming at becoming their first banking partner. AXA Bank wants to accompany efficiently its customers to realize their projects, mainly by providing a full range of banking services with a particular emphasis on mortgages and investment products and advice for retail clients and professional loans for independents and very small companies. Furthermore, the bank continued to work on improving its efficiency by automating processes, being very disciplined on costs while pursuing its investment in people and tools, in particular in core elements of its retail banking platform. Indeed, the bank accelerated its transformation to improve the customer's digital experience: new functionalities were added regularly on the different digital devices (opening of new products such as cards and investment accounts, appointment tool, etc.) while some user convenience improvements were implemented.

On top of improving the digital experience for the clients, AXA Bank further invested in the professionalization of its agent network. In 2016, the bank continued the technical -commercial training for agents to strengthen added-value customer advice. In parallel, the bank set up a specific central Invest and Professional credit expert's team to support agents to extend their footprint in those activities.

AXA Bank also pursued its derivatives Intermediation activities, providing added-value services to AXA entities by processing and managing their derivatives in the market, all within a very strict risk appetite. The net new production volumes were lower than 2015. In 2016 AXA Bank continued to actively compress its stock of derivatives allowing to neutralize the net new production and keep, overall, the total derivatives off balance outstanding broadly unchanged.

2016 was also marked by the final step in the derisking of the bank with the successful signing and closing of the sale transaction of its Hungarian business. Hungarian activities and most of the staff were transferred to OTP Bank Plc on October 31st. This transaction is the final step to reposition AXA Bank as a retail bank exclusively present on the Belgian market and operating jointly with AXA Insurance in Belgium.

Peter Devlies

CEO

Jef Van In

Chairman of the Board of Directors

About

AXA Bank

Key numbers*

Our team

1.000.000 clients

850 employees

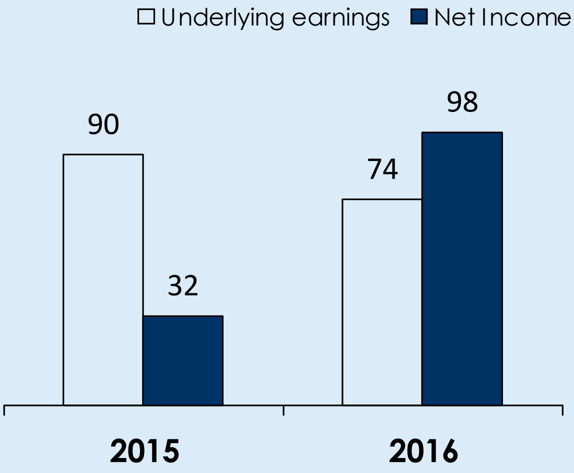
700 point of sales

Our ratios

76%
C/I ratio

8%
RoE

Our Results



in million euro

Our balance sheet

Client deposits

17.8 billion euro

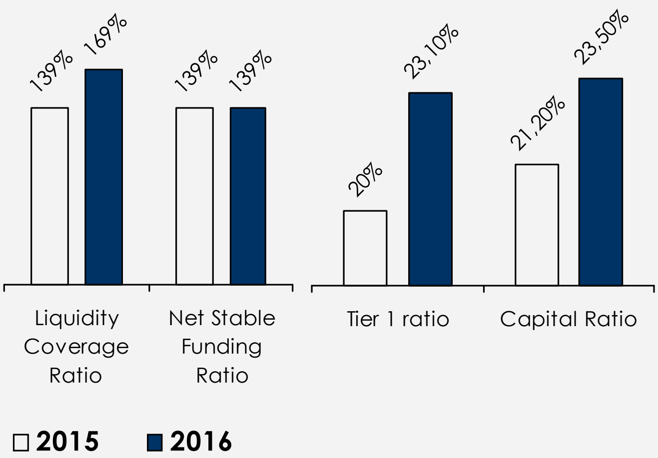
Client Loans

18.1 billion euro

Mortgage loans

15.8 billion euro

Our Solvency & Liquidity



““AXA Bank is pursuing its successful repositioning as a connected and trusted financial partner for our 1.000.000 clients in Belgium “

Peter Devlies

*all numbers are IFRS consolidated numbers except Underlying Earnings which are an AXA Group non GAAP measure

About AXA Bank

History

2010

- Launch execution desk Paris
- Stop Hungarian combined loans production
- Jacques de Vaucleroy appointed as chairman of the Board

2011

- Launch of commercial activities of AXA Bank Slovakia & IT Poland
- Disposal of ABE Swiss
- Jef Van In Appointed as new CEO

2012

- Run-off of Hungarian mortgages portfolio
- ABE Czech Republic/ Slovakia closed
- Closure of Execution Desk Paris/branch

2013

- Review of governance. Belgian retail activities fully under responsability of bank's CEO

2014

- New Belgium Retail Conquest Strategy
- Announcement of downsizing in number of FTEs
- Issuance of CoCo bonds for 90 milli-on euro
- Capital increase by 135 million euro
- Issuance of € 400m covered bond

2015

- Sale of remaining CSP portfolio
- Closure of ITC Poland

2016

- Signature of sale of Hungarian activities
- Successful 750 million euro covered bond
- Closing of sale Hungarian activities
- Peter Devlies is nominated CEO

Future

FOCUS

&

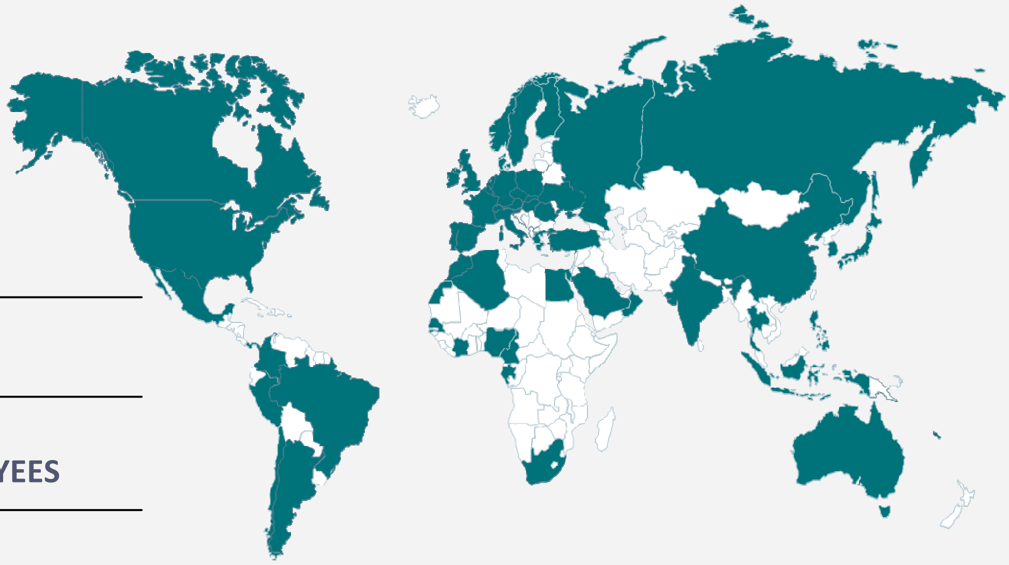
TRANSFORM

About

AXA Bank

AXA Group

Overview of AXA Group



64 COUNTRIES

166,000 EMPLOYEES

103 MILLION CUSTOMERS

Countries where AXA Group is active

Present in 64 countries, AXA's 166,000 employees and exclusive distributors provide their expertise in support of 103 million customers through four core business activities: Property & Casualty Insurance; Life & Savings; Health Insurance; and Asset Management. In a fast-evolving world, AXA anticipates change to offer services and solutions tailored to the current and future needs of its customers.

Overview of AXA Group

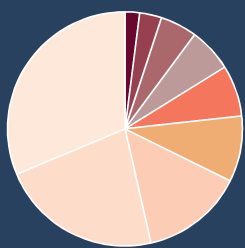
31%
Northern, Central and Eastern Europe

22%
France

14%
United States

9%
Asia (excluding Japan)

7%
Japan



6%
United Kingdom and Ireland

5%
Mediterranean Region and Latin America

3%
International Insurance

2%
Direct

GEOGRAPHICAL BREAKDOWN OF BUSINESS

Underlying earnings (insurance activities)

Based on AXA Group profile in 2015

Economic and financial context

Impact on ABE

	Overall context	Impact for AXA Bank Europe
Financial Environment	• Low interest rates • Abundant liquidity • Low inflation • Slight acceleration of economic growth	• Strong credit production at attractive margins • Good credit performance with decreasing default rates • Comfortable liquidity ratios • Prepayments and refinancing of mortgage loans weigh down on future profitability • Market conditions make it interesting for customers and banks to gradually shift from on-balance sheet savings accounts towards off-balance sheet investment products
Customer Behaviour	• Changing customer behaviour and expectations • Fast evolution of the payments industry & FinTech development	• Increased focus on development of digital tools for customers e.g. homebanking, smartphone application
Political Environment	• Geopolitical uncertainty & instability	• Geopolitical environment leads to uncertainty, increased spreads & market volatility

Results

Belgian retail activities

Savings & invest

The net growth of balance sheet savings & invest products reached +1.2 billion euro, a very strong increase driven by new inflows in current & savings accounts and by the inflows related to the buy-back of the Crest insurance products. Part of the Crest related flows have been transformed to off balance sheet investment products like AXA funds. The net growth in the off balance sheet invest products at +416 million euros was very strong.

In the context of the persistent low interest rates, our clients are confronted with a rather unfavourable investment environment. This results in high net inflow in the current accounts +406 million euro and savings accounts +861 million euro. This latter is also positively impacted by important inflow coming from the buy-back of Crest insurance products. Portfolio of fixed rate products remained relatively stable with a moderate increase in our term deposits portfolio (+102million euro) and a slight decrease in our certificates portfolio (-47million euro).

The net growth in the off balance sheet investment portfolio reached 416 million euro or an increase of 341 million euro versus 2015. This strong increase is a confirmation that AXA Bank's strategy to better serve our clients investment needs through advisory services and extend fund offering is being rolled-out successfully. Indeed, the largest increase was observed in the net inflow in AXA funds, which has more than doubled to 433 million euro versus 137 million euro net inflow in 2015. This includes the investments made by clients through the recurrent investment plan: a new AXA Bank product launched in June 2016. Net inflow for structured products and third party investment funds was slightly negative -11 million euros and -5 million euros respectively.

Daily Banking

All our daily banking indicators improved in 2016 in comparison with 2015: number of accounts (+14k), number of active accounts (+14k), number of online clients (+22k), number of credit cards (+15k) and number of clients using AXA Bank as their first bank (First Bank Clients) (+57k).

Credits

Mortgage Loans - After the record year of 2015, our lending volumes continued growing to 2.9 billion euro new loan production. The production level was especially high in the second half of the year during which AXA Bank slightly increased its market share. However, over the whole of 2016, we maintained our market share of 8%. The outstanding mortgage loans portfolio reached 15.8 billion euros or +7% compared to 2015. The volumes of prepayment and refinancing have remained high in the first three quarters of the year only to slow down in the last quarter thanks to interest rate increases in that period.

Consumer loans - Sales volumes increased in 2016 in comparison with 2015 by 24 million euro or +8%. Our production remained concentrated in car loans (180 million euro) and Immo loans (87 million euro).

Professional loans - Following our strategy to focus on the lending to independent professions and very small companies under strict risk appetite control, profession loan volume production has increased to 425 million euro or +19% compared to 2015. This production is mainly concentrated in the following products: Immo4Pro (196 million euro), Equipement4Pro (78 million euro) and Car4Pro (68 million euro). Indeed, the enhanced commercial activity focused on this segment and the review of the professional loan product offering, initiated in April 2015, have resulted in strong increase of the production and steady growth of the outstanding portfolio which reached 1.4 billion euro.

Asset & Liability Management

The Asset and Liability Management framework (ALM) at AXA Bank is an essential component of balance sheet management. Its main purpose is to manage AXA Bank's exposure to interest rate-, liquidity-, and foreign exchange risks. These risks are managed within the risk appetite framework, set by AXA Bank's Board of Directors and within the applicable regulatory constraints in the banking sector.

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 likely to materialize in a rising interest rate environment) was also hedged.

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. To improve AXA Bank's leverage ratio and to partially offset (through capital gains) hedge accounting inefficiencies on the retail mortgages book (due to the severe prepayment wave), the size of the portfolio was further decreased by 3.28 billion euro (Book Value) in 2016 and stands at 3.95 billion euro.

AXA Bank further diversified its structural long term funding: AXA Bank participated for 150 million euro in the TLTRO II funding opportunity offered by the ECB to lock in 4 year funding at an attractive rate. A 500 million euro matured covered bond was rolled into a new 750 million euro 7yrs issue.

Treasury & Intermediation

AXA Bank's treasury and intermediation department provides mainly funding, cash management and execution of derivatives transactions, for the retail business of AXA Bank as well as for several AXA group entities.

Treasury has decreased its repo business with AXA insurance entities to approximately 20% of the average transaction volume of 2015 in order to deleverage ABE's balance sheet. This repo volume reduction does not impact the diversification of AXA Bank Europe's funding sources. Money market transactions with credit institutions and professional clients, repos, certificates of deposit, participation to the refinancing operations of the ECB are part of the treasury's activity range. Indeed, ABE's short term financing policy and liquidity contingency plan still foresees access to a broad range of instruments and supports in this way conservatively managed cash balance that is in itself the result of the retail growth in credits and savings.

AXA Bank's liquidity position, that is immediately available, remains comfortably larger than the regulatory required liquidity buffer within the Liquidity Coverage Ratio (LCR). Besides retail liabilities, the liquidity resources of ABE also contain a Notes issuance programme and covered bonds issued by AXA Bank Europe SCF that at end December, 2016 stand at resp. 1.35 billion euro and at 4.15 billion euro.

Results

non-retail activities

Treasury & Intermediation

The pay-offs of the Notes issuances are structured in-house and hedged in the market by AXA Bank's derivatives specialists that also provide derivative execution and processing services, exclusively for entities of AXA Group worldwide. The provided services include execution, clearing, valuation and (EMIR) reporting obligations. Besides the mandatory derivative volume compressions analyses, AXA Bank reduced its operational risk through a compression of 14.3 billion euro of interest rate derivatives. Although the new volume of client derivatives dealt over 2016 stands at 7.7 billion euro, AXA Bank's derivative outstanding hardly rose over 2016 with 1.8 billion euro to 93.6 billion euro in 2016.

Back loading derivatives to a central clearing platform and active management of counterparty credit exposure allowed for a reduction of the counterparty credit exposure to AXA Bank 's main derivative counterparts.

Comments on the consolidated results

Profit & Loss

million euro	2015	2016
Interest margin	322	290
Net banking product	381	356
Underlying earnings	90	74
Net income	32	98

Interest margin — Retail assets showed a strong production at resilient margins. New mortgage production stands at 2.9 billion euro at margins of around 174Bp. Retail liabilities Net New Money of 1.2 billion euro fueled in 2016 by Crest Buy Back at 1 billion euro.

Net Banking Product — Net Banking Product (NBP) at 356 million euro or -24 million euro below 2015. This is driven by the persistent low interest rates which have triggered high volumes of mortgage loan prepayments and refinancing and reduced ALM transformation results (-17 million euro). Moreover, the Intermediation activity generated lower revenues (-28 million euro). These negative impacts on the revenues have only partially been offset by strong volume growth in the lending business at solid margins (+13 million euro) and the good results in the investment business resulting in higher fee income (+8 million euro). Margins on liabilities were resilient thanks to the consecutive client rate cuts applied on savings accounts in 2016.

Underlying Earnings — Underlying Earnings stand at 74 million euro or -16 million euro below 2015. This significant reduction of the results is mainly explained by the decreased Net Banking Product (-24 million euro), higher Distribution Commissions (-5 million euro) and higher Bank Levies (-4 million euro) which are only partly offset by lower Administrative Expenses (excluding Bank Levies) (+4 million euro) and lower Cost of Risk (+13 million euro).

Indeed, Administrative Expenses excluding Bank Levies stands at 182 million euro or 4 million euro below 2015 thanks to a 4% decrease of Staff Expenses and 11% decrease of Goods & Services realized through the pursuit of structural cost reduction measures and strict cost discipline.

Cost of Risk stands at 7 million euro or 13 million euro below 2015 as a result of derisking efforts performed over the last few years, the adjustment of credit risk models and the sale of a portfolio of written off loans.

Net Income — Net Income Belgian Territory is at 79 million euro or -24 million euro below 2015, which is mainly explained by UE evolution. The contribution of Hungary to the Net Income is very strong at 19 million euro. This is mainly due to (1) the release of provisions (partial take back of 2015 provisions) +21 million euro (2) good performance of run-off of the business with better than expected costs of risk +6 million euro (3) new provision of 10 million euro (or 8 million euro post DTA) to cover risk of warranties and guarantees given to OTP. Consequently, ABE consolidated Net Income stands at 98 million euro (RoE of 8%) well above 2015 results.

Comments on the consolidated results

Balance sheet and Off– balance sheet

Balance sheet

billion euro	2015	2016		2015	2016
Commercial Assets	**17,5**	**18,1**	**Commercial Liabilities**	**18,8**	**19,1**
Retail Assets Belgium	16,9	18,1	Retail Liabilities Belgium	16,7	17,9
Retail Assets Hungary	0,6	0,0	Retail Liabilities Hungary	0,4	0,0
			EMTN Other AXA Entities	0,6	0,5
			Current Accounts AXA Group	1,1	0,6
Non Commercial Assets	**13,4**	**9,9**	**Non Commercial Liabilities**	**11,3**	**8,0**
Investment portfolio	7,4	4,0	Covered bonds	3,4	3,5
Treasury Assets	2,2	2,3	Treasury Liabilities	5,4	2,2
FV on derivatives	2,2	2,2	FV on derivatives	1,6	1,6
Other assets	1,6	1,4	Other Liabilities	0,6	0,4
			Equity	**1,2**	**1,2**
Total Assets	**30,9**	**28,0**	**Total Liabilities & Equity**	**30,9**	**28,0**

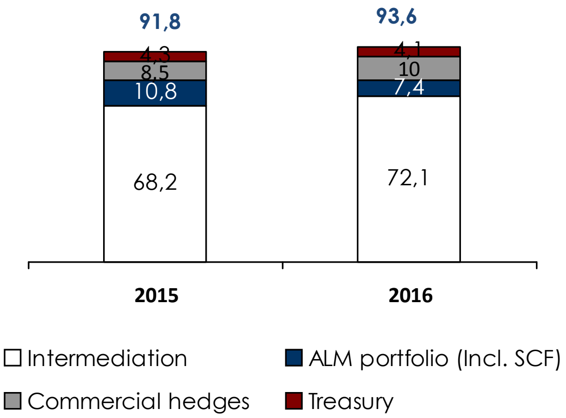
Assets - Total assets decreased by 2.9 billion euro due to (1) ALM investment portfolio sales (-3.4 billion euro) (2) Belgian Retail Credit production (+0.7 billion euro); however this was partly offset by sale of mortgage portfolio of Hungary

Liabilities - Significant increase is Retail liabilities, fuelled in 2016 by Crest buy-back. This was partly offset by the sale of Hungarian portfolio and the reduction of current accounts volumes of other AXA entities. Decrease in Treasury liabilities mainly due to reduction of repo volumes.

Equity - equity is stable: increase in retained earnings is offset by changes in OCI.

Off- Balance sheet

billion euro



- Off-balance sheet outstanding increased modestly by 1.8 billion euro to 93.6 billion euro (2016 versus 2015).
- The intermediation off balance sheet grew by only 3,9 billion euro as new client volume (7,7 billion euro) and market transactions were partially offset by compressions.
- The ALM portfolio positions were impacted by (1) asset swaps sold in the investment portfolio, and, (2) the Treasury portfolio forex swap, which is stable.

Change in the consolidation scope

On December 31st 2016, the scope of consolidation for AXA Bank Europe included the following companies: AXA Bank Europe SA, including branch in Hungary, Royal Street SA, AXA Belgium Finance BV and AXA Bank Europe SCF (société de crédit foncier). The activities regarding the Hungarian branch were terminated in 2016.

Comments on the statutory accounts & the allocation of earnings

The statutory profit of the year 2016 amounts to 69.4 million euro. The accumulated losses at the end of 2015 were at 57.1 million euro. Consequently, the positive cumulative impact on December 31st 2016 amounts to 12.3 million euro.

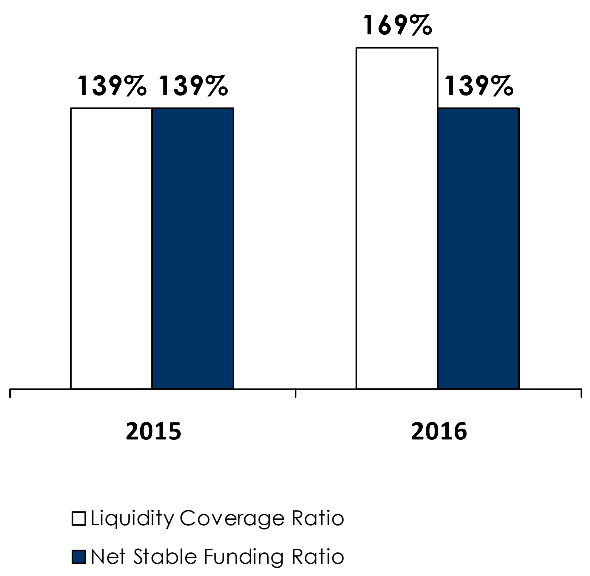
The Board of Directors proposes to, after allocation to the legal reserves, carry forward the result to the next financial year.

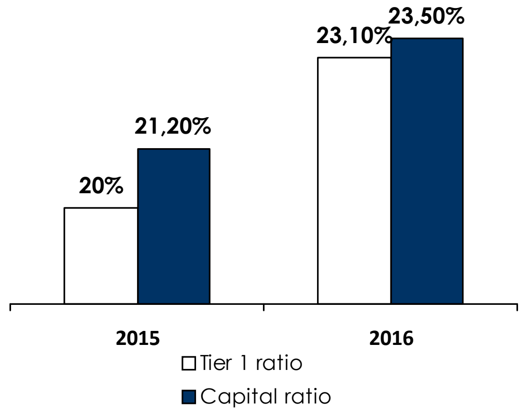
Significant events after 2016

No significant event up till now.

Liquidity & solvency

- Liquidity for AXA Bank Europe remained at a comfortable level throughout 2016. As per 31 December 2016, the Liquidity Coverage Ratio (LCR) is at 169% (139% in 2015) and Net Stable Funding Ratio (NSFR) at 139% (139% in 2015). 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 2016 thanks to its continued prudent investment strategy and conservative distribution policy. All solvency ratios improved over the year. As per 31 December 2016, AXA Bank Europe's Tier 1 ratio stands at 23.1% (20.0% in 2015) and total capital ratio at 23.5% (21.2% in 2015). 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 23.7% and 23.9% respectively (22.4% and 23.1% in 2015), 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 further decreased it balance sheet, essentially through a significant reduction of our bonds portfolio, also taking the opportunity of the low interest rates throughout 2016. As a consequence, the bank's leverage ratio lands at 4.1%. In light of the low risky assets of AXA Bank, this level offers a comfortable buffer. Indeed our assets essentially include loans with mortgage guarantees, bonds issued by governments and supra-national bodies (European funds) and to a lesser extent financial instruments fully collateralised by cash or high quality bonds.

Main risks & uncertainties

Because of the nature of its activities, AXA Bank is exposed to certain risks. The main risks are the credit risk (risk of default), interest rate risk, market risk, liquidity risk and operational risk. These risks are managed within a risk appetite framework defined annually by the Board of Directors. These various risks are described in more detail in Section 4 - Risk management of our annual accounts.

During 2016, the Belgian mortgage loan market continued to experience a high refinancing rate due to the low interest rate environment. While this has put pressure on margins and revenues, AXA Bank has been able to temper the impact with the significant production of mortgage loans of strong credit quality.

AXA Bank has further reduced its credit risk by materializing the sale of its Hungarian branch. Indeed, the complete retail business in Hungary has been transferred to OTP bank during the fourth quarter of 2016 and the official closure of the branch "AXA Bank Hungary" is planned for next year.

The significant risk reduction has been reflected in AXA Bank's results to the European Union-wide banking stress test, which have fed the 2016 round of Supervisory Review and Evaluation Processes (SREP) under which the European authorities decided the appropriate capital resources that AXA Bank has to hold.

Finally, the results of the United Kingdom's referendum, in which more than 50% voted to leave the European Union, has changed the international economic landscape. On the short term, the reaction of financial markets to the "Brexit" has barely affected AXA Bank.

A number of recent (USA) or forthcoming (France, Germany) political elections may create instability or unforeseen changes to the economic or market environments.

Corporate Governance

Composition of management bodies

Board of Directors	Management Committee	Audit Committee	Risk Committee	Nomination Committee and Remuneration Committee
Peter Devlies (since 02/03/2017)	Chairman (since 02/03/2017)			
Jef Van In, Chairman (since 28/03/2017)	Chairman (until 27/07/2016)			Chairman (since 28/03/2017)
Sabine de Rycker	✓			
Françoise Gilles	✓			
Jeroen Ghysel	✓			
Marie-Cécile Plessix				
Frank Goossens (since 22/11/2016)	✓			
Patrick Lemoine		✓	✓	
Emmanuel Vercoustre	Chairman (from 27/07/2016 until 02/03/2017)			
Marc Bellis, independent director				✓
Patrick Keusters, independent director		Chairman (since 04/02/2016)	✓	
Philippe Rucheton, independent director		✓	Chairman	
Jacques de Vaucleroy, Chairman (until 30/06/2016)				Chairman
Frank Koster (until 13/07/2016)				✓
Céline Dupont (until 13/07/2016)	✓			

Auditors: PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises sccrl, represented by Tom Meuleman (accredited auditor)

AXA has the ambition to become worldwide the most inclusive company of the financial services. Our aim is to become as diverse and inclusive as possible. Therefore we are opposed to any form of discrimination.

Corporate Governance

Modifications occurring in 2016 and as of 1 January 2017

Board of Directors:

- nomination of Peter Devlies effective on 2nd March 2017
- nomination of Frank Goossens effective on 22nd November 2016
- nomination of Jef Van In as chairman of the board effective on 28th March 2017
- resignation of Jacques de Vaucleroy effective on 30th June 2016
- resignation of Frank Koster effective on 13th July 2016
- resignation of Céline Dupont, effective on 13th July 2016

Executive Committee:

- nomination of Peter Devlies as chairman effective on 2nd March 2017
- nomination of Frank Goossens, effective on 22nd November 2016
- resignation of Céline Dupont, effective on 13th July 2016
- resignation of Jef Van In effective on 27th July 2016

Audit Committee:

- nomination of Patrick Keusters as chairman, effective on 4th February 2016

Risk Committee:

- nomination of Patrick Keusters, effective on 1st January 2016

Nomination Committee:

- nomination of Jef Van In effective on 28th March 2017 as chairman of the committee
- resignation of Jacques de Vaucleroy, effective on 30th June 2017
- resignation of Frank Koster, effective on 13th July 2016

Remuneration Committee:

- nomination of Jef Van In effective on 28th March 2017 as chairman of the committee
- resignation of Jacques de Vaucleroy, effective on 30th June 2017
- resignation of Frank Koster, effective on 13th July 2016

Corporate Governance

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. 5 meetings per year are scheduled and ad hoc meetings are organized in function of the need. Both committees have the same members but a different chairman.

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 68, 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.

Competence and independence of the Nomination Committee and Remuneration Committee

AXA Bank Europe's Nomination and Remuneration Committees consist of Jacques de Vaucleroy (until 30th June 2016), Frank Koster (until 13th July 2016) 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.

Since 27 July 2016, as of the moment Jef Van In resigned as President of the Management Board of AXA Bank Europe, but remained as non-executive director with the function of Vice President, he was nominated as member of the Nomination Committee and Remuneration Committee.

Jef Van In is a Commercial Engineer (K.U.L.) and has an Executive MBA from Flanders Business School. After a national and international career at ING Bank, he became CEO of AXA Bank Europe in 2011. In addition, in 2012 he became responsible for the life insurance business of AXA in Central & Eastern Europe. In July 2016, Jef Van In became CEO of AXA Belgium and beginning 2017 he became president of the Board of Directors of AXA Bank Europe.

Jef Van In was confirmed as member and President of both Committees.

Consequently, the Executive Board is able to justify the individual and collective competence of the member of the Nomination and Remuneration Committees.

Remuneration Policy

Remuneration of the members of the Board of Directors

All the members of the Board of Directors are considered as "Identified Staff" (Category 1). As a consequence, the principles set out under point 2 hereunder fully apply on them.

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.

Executive directors

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 and Governance Committee of the Group, and by the Remuneration Committee of the Executive Board concerned.

The policy concerning the remuneration of the directors should 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,
- to guarantee adequate and efficient risk management.

The Remuneration Guidance follows three main guiding principles:

- the competitiveness and market consistency of remunerations,
- the coherence and internal equity, based on individual and collective performance, in order to ensure fair and balanced remuneration reflecting employee's individual quantitative and qualitative achievements and impact; and
- the results and the financial capacity of the company.

Remuneration Policy

Remuneration of the "Identified Staff

"Identified Staff"

Taking into account Article 67 of the law of 25 April 2014 on the status and supervision of credit institutions and the implementing decrees and the Delegated Regulation, and through additional criteria, the Board of Directors of AXA Bank Europe has determined the perimeter of the Identified Staff as follows:

- **Category 1**: The members of the Board of Directors;
- **Category 2:** The members of the Management Committee and other Committees and their direct reports;
- **Category 3**: The staff members with a position that implies risk-taking determined in accordance with the Delegated Regulation and other regulations;
- **Category 4**: The control functions that are responsible for the operational independent control functions ;
- **Category 5**: The staff members determined in accordance with the Delegated Regulation, of whom the total remuneration places them on the same remuneration level as the senior management and the persons with a position that implies risk-taking.

Structure of the remuneration of Identified Staff

The remuneration policy is structured in such a way that the total remuneration package is divided in a balanced way between the fixed component and the variable component.

The composition of the total package aims not to encourage any risk-taking. The fixed component of the total remuneration package is significant enough to reward the staff members for their work, seniority, expertise and professional experience and to guarantee a totally versatile variable remuneration policy being set out, and notably the possibility of not paying any variable remuneration.

Fixed remuneration

Determining the fixed remuneration

The base pay of the Identified Staff is determined by taking into account the organizational responsibilities, as defined in the job description and the positioning in relation to the external benchmark.

Certain categories of Identified Staff receive a recurring function premium. They are allocated transparently, in a non-discriminatory way, on the basis of objective parameters and not associated with or subject to performance criteria. In the event of changing position to a position not considered as Identified Staff, the person might no longer be entitled to the function premium.

The fixed remuneration can also include benefits in kind.

Remuneration Policy

Evolution of the fixed remuneration

Decisions concerning the evolution of the fixed remuneration of Identified Staff are based on performance (sustainable job fulfillment) and the positioning in relation to the external benchmark.

Individual increases are granted, based on the following principles:

- equitable treatment;
- strict delegation rules; and,
- a systematic double control by the line management and the HR- department.

Every performance year, AXA Bank Europe determines the budget available for the evolution of the fixed remuneration of Identified Staff.

The results of AXA Bank Europe's past performance year (compared with the objectives defined) will be a determining factor in setting the budget for the evolution of the fixed remuneration.

If AXA Bank Europe's statutory results of the past performance year are negative or significantly lower than the set objectives, or for reasons of legal restrictions, AXA Bank Europe may decide to limit the budget to award those increases that are due based on legal and/or contractual provisions.

Variable remuneration

Determining the variable remuneration

The variable remuneration is determined within the limits of the available budget and depending on the local and/or professional market practices, the profits generated by the activity and the achievement of quantitative and qualitative objectives on an individual level and on the level of the bank and the business line, as well as the contribution to the risk management and the observance of the compliance rules.

◊ **Determining the bonus budget**

Each year AXA Bank Europe defines the total available budget for each "Band".

The bonus pool is determined on the basis of a decision process that is based on the business results as well as on the risk results. Check & Balances are key in this respect.

The envelopes for variable remuneration are determined on the basis of:

- the results generated by the activity (annual bonus pool);
- the market and achievements, amongst others with regard to risk;
- the financial situation of AXA Bank Europe, including the capital base and requirements and the liquidity;
- the realized profits; and,
- the profit expectation and long term expectation.

Each year, the bonus pools are determined in the course of the budget process by AXA Bank Europe in consultation with the Finance and the General Management department under the surveillance and with approval of the Board of Directors upon the advice from the Remuneration Committee. In doing so, account shall be taken of the direct input from Risk Management on the "cost of risk" (risk-adjusted performance) or equivalent risk measures, depending on the scope of the budget.

Only the results realized by the institutions within the AXA-group to whom CRD IV and the Banking Law apply are taken into consideration.

In the context of an ex ante risk adjustment, a risk analysis will be executed on the level of the enterprise and on the level of the business line or a particular section thereof, without prejudice to the evaluation on an individual level.

Variable bonus pools for supporting functions and integrated control functions are - by way of derogation from the above – determined independently of the performance of the business line of which they validate or control the transactions.

In the event the entity performs poorly, the individual variable remunerations determined within the scope of the funding available will automatically be reduced proportionately.

◊ **(Individual) performance**

The **performance of AXA Bank Europe**, is taken into consideration by means of the result of the STIC (Short Term Incentive Compensation) Grid. This "STIC Grid" consists of key indicators of activities and results with each receiving a certain weighting, and taking risk criteria into account.

The **(individual) performance** is measured by the achievement of (individual) financial and non-financial performance criteria, defined as:

- quantitative objectives (which are taken into account for at least 25% of the variable remuneration); and,
- qualitative objectives (general attitude, risk awareness, alignment with the interests of the client, the employee and the shareholder),

They are measured over various periods of time (achievements on a yearly basis, but also on a multiannual basis) for the years to come by means of observed performances and individual assessments with regard to the fixed objectives.

These objectives are determined in accordance with a fixed system, whereby objectives are:

- determined based on the 'SMART' principle: Specific, Measurable, Assignable, Realistic, Time-related;
- determined by 'success criteria';
- balanced;
- validated by both parties; and,
- formalized in the performance document in 'People In' within the AXA Bank Europe deadline.

The Individual Performance Plan applies to the Identified Staff in all business lines of the bank and consists of an individual part that is linked to the performance score, that takes into account the results and risk/risk management objectives.

◊ **Ratio fixed remuneration – variable remuneration**

The variable remuneration of each person of the Identified Staff is limited to a maximum of the following two amounts:

- € 50,000, without this amount being able to exceed that of the fixed remuneration
- 50% of the fixed remuneration

This restriction of the difference between the fixed remuneration and variable remuneration also applies for allocations of variable remuneration in case of exceedance of the objectives ('above target') or in case of extraordinary achievements.

Remuneration Policy

Process of allocation and individualization – individual assessment

Within AXA Bank Europe, the performance of the team to which the Identified Staff belongs and his or her individual performance (performance is measured on the basis of the profit- and risk level with regard to that profit) is assessed (a compulsory **annual individual assessment** carried out by the line manager) on the basis of at least the following elements:

- qualitative accomplishments in relation to the objectives set;
- professional behavior with regard to the values, compliance requirements and procedures applicable at ABE, and aligned with the values and the leadership attitudes of the Group ("AXA Leadership Framework");
- contribution to risk management, including operational risk;
- the managerial behavior of the person where appropriate.

The Board of Directors, after advice from the Remuneration Committee will carry out an additional assessment for all members of the Identified Staff taking into account:

- the contribution to the permanent control framework of the Bank;
- the involvement with material risks and subsequent decisions;
- incidents that would have occurred during the year and the corrective actions taken by the individual or his managers.

This assessment may lead to an impact on the variable remuneration.

The assessment will be executed as much as possible with predetermined and applicable formulas and rules regarding the assessment. Score cards or other equivalent methods will be used for this purpose, whereby from 2017 onwards a formal evaluation will take place with regard to:

- compliance-criteria;
- a sound risk management.

The level of achievement of every objective and of the relevant leadership attitudes will be indicated amongst others on the score card by a score and concrete remarks. In addition, an overall score (on WHAT and HOW) and a total performance score will be attributed with a qualitative motivation in the relevant comment fields.

Depending on the realized quantitative and qualitative objectives, proposals for decisions will be determined.

Payment of the variable remuneration

In accordance with the Banking Act, at least 40% of the variable remuneration (up to 60% for the highest variable remuneration) is granted in the form of **deferred variable remuneration**, and at least 50% of the variable remuneration must be paid in "**financial instruments**".

This manner of remuneration, supported by employees' long-term profit-sharing, allows a significant part of the variable remuneration to be deferred, all in accordance with the requirements of laws and national and international regulations, and the requirements of national and international regulators.

◊ **Conditional cash**

The 50% in "financial instruments" will be paid as "conditional cash".

To ensure the differentiation with cash variable remuneration, the conditional cash is subject to a retention period and targets after the retention period set in relation to

- solvability (floor 2017: 9,25%), liquidity (floor 2017:100%) & leverage (floor 2017:3%)
- A retention period of 1 year (as from grant/vesting) before the conditional cash payment will be effectively made.

This leads to the following scheme:

Assumptions

Performance year	2016	
Upfront	60%	
Deferred	40%	
Spread over	5	years
Cash	50%	
Conditional cash	50%	

	Payment date*	*01/04/2017*	*01/04/2018*	*01/04/2019*	*01/04/2020*	*01/04/2021*	*01/04/2022*	*01/04/2023*
Upfront	Cash	30%						
	Conditional cash		30%					
Deferred	*Total deferred granted*		*8%*	*8%*	*8%*	*8%*	*8%*	
	Cash		4%	4%	4%	4%	4%	
	Conditional cash			4%	4%	4%	4%	4%
Total cash-flow profile		**30%**	**34%**	**8%**	**8%**	**8%**	**8%**	**4%**

***** Conditional cash is paid on the payment date if for the calendar year preceding the payment date, the condition has been met

◊ **Exception for variable remuneration below € 75,000**

The BNB's current administrative circulars authorize an exception to this rule for members of the Identified Staff whose variable remuneration does not exceed € 75,000.

Malus and Clawback framework

The Bank's malus and clawback provisions allow the Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the already paid/vested variable remuneration recovered in certain situations.

AXA Bank Europe will reduce the parts of the variable remuneration that are not yet paid or acquired of all (possibly former) Identified Staff (malus) if AXA Bank Europe has a decreased or negative financial return on investment or if one of the following situations is discovered:

- the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- the Identified Staff is involved with practices that have led to considerable losses for AXA Bank Europe or is responsible for such practices;
- the Identified Staff is involved with a special mechanism that has as its purpose or effect the promotion of fiscal fraud by third parties;
- any circumstance that implies that the payment of the variable remuneration constitutes an infringe-

ment of the good remuneration policy of AXA Bank Europe or of the risk management strategy or of its limited to medium risk profile.

AXA Bank Europe will reclaim the variable remuneration that is already paid or acquired of all (possibly former) Identified Staff (clawback) if AXA Bank Europe has a decreased or negative financial return on investment or if one of the following situations is discovered, and this within three years following the payment or, if the case may be, the acquisition of the variable remuneration:

- the Identified Staff does not comply with the applicable standards of expertise and professional integrity;
- the Identified Staff is involved with practices which have led to considerable losses for AXA Bank Europe or is responsible for such practices;
- the Identified Staff is involved with a special mechanism having as purpose or effect the promotion of fiscal fraud by third parties

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

In case of dismissal for misconduct (or for employees that already left AXA Bank Europe or its affiliated enterprises, the conduct that would have lead to a dismissal if it were discovered while the staff member was still employed) and particularly when there is a breach of risk management procedures or a breach of the compliance or conduct rules or dissimulation or an action that resulted in a distortion of the conditions under which the variable remuneration which was initially allocated were set, all or part of the rights to the deferred parts of the initially allocated variable remuneration shall immediately be lost (“malus”) and all elements of variable remuneration already paid shall possibly be reclaimed (“clawback”). This principle will be entered into each plan that will be submitted to an Identified Staff member for approval.

Specific rules relating to variable remuneration of Identified Staff employed on the trading floor

The variable remuneration fund is determined every year. It is calculated depending on the operating result of the trading floor activities and the results of AXA Bank Europe. 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.

Specific rules relating to variable remuneration of independent control functions

The above mentioned principles of remuneration are similar for category 4 of the Identified Staff, namely persons occupying independent control functions (and including the Chief Risk Officer); with the following exceptions:

- AXA Bank Europe's performance is not taken into account for determining variable remuneration effectively paid.
- Non-deferred variable remuneration is wholly and exclusively determined based on specific individual criteria associated with the position (individual performance).

Remuneration Policy

Compensation in the event of contract termination

Without prejudice to the application of legal and regulatory provisions and agreements binding the company, severance payment that might be agreed with a person affected is determined so as not to reward failure or irregular behaviour.

For salaried members of staff, AXA Bank 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 of the remuneration policy

AXA Bank Europe has a long-term remuneration plan, the rules of which are determined by the remuneration policy. These rules may be adapted regularly, notably depending on decisions taken at the level of the AXA Bank's Board of Directors and the evolution of the (inter)national regulatory framework.

The Executive Board has decision-making competence concerning the establishment of the remuneration policy and decision-making relating to the individual remuneration of the persons affected. In this domain, it is assisted by 2 committees: the Remuneration Committee and the Risk Committee.

The Remuneration Committee actively contributes to implementing the remuneration policy. It consists of non-executive directors, at least one of whom is independent in the sense of the Companies Code. It is composed so as to allow it to exercise pertinent and independent judgment on remuneration policies and practices, and on the incentives created regarding the control of risks, equity requirements and the liquidity position.

The work of the Remuneration Committee consists in proposing, in the form of advice and in accordance with the remuneration policy, decisions to be taken by the Executive Board relating to remuneration principles and procedures. It is also entrusted with preparing 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.

Remuneration Policy

Quantitative information on remuneration awarded to Identified Staff for the financial year 2016

Total Remuneration of Identified Staff in 2016 (Excluding non executive board members compensation)

The quantitative information set out below concerns the remuneration awarded for the year 2016 to Identified Staff within the meaning of CRDIV and the Belgian banking law, but does not reflect remuneration awarded to other employees:

Number of people concerned	Amount of total compensation	Amount of fixed compensation	Amount of variable compensation awarded
54	10.931.566 €	8.451.452 €	2.480.114 €

Structure of the variable component of remuneration:

	Payment in cash	Payment in shares or equivalent instruments
Variable component under 75k	100%	0%
Variable component above or equal to 75k	50%	50%

Deferred remuneration paid or reduced as a result of the year's performance:

Amount of deferred compensation paid	Amount of reductions of deferred
1.434.814 €	0 €*

*No reductions of deferred compensation in 2016

Remuneration Policy

Sums paid to new hires and terminations during the year

Severance Payments and number of beneficiaries		Sign-on payments paid to new hires and number of beneficiaries	
Amounts paid	Number of beneficiaries	Amounts paid	Number of beneficiaries
140.000 €	1	50.000 €	1

Number of MRT employees whose total remuneration for 2016 exceeded EUR 1 million

Total compensation	Number of MRTs for the year 2016
Between EUR 1 million and EUR 1.5 million	0
Between EUR 1.5 million and EUR 2 million	0
Between EUR 2 million and EUR 2.5 million	0

AXA Director on 31/12/2016	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%?
Véronique Weill	President of the Board of Directors	Valeo SA	43, rue Bayen – 75017 Paris Cedex 17 France	Automotive supplier	Yes	Non-executive director	No
Patrick Keusters	Independent Director and President of the Audit Committee	Virix SA	Keizershoek 350A 2550 – Kontich Belgium	Real-estate projects	No	Non-executive director	No
		Orcadia Asset Management SA	13, rue de l'Industrie L -8699 Windhof GD Luxembourg	Investment company	No	Non-executive director	No
		Stoll Security SA	Z.A.R.E. Ilot Ouest L 4384 Ehlerange Luxembourg	Security	No	Non-executive director	No
Philippe Rucheton	Independent Director and President of the Risk Committee	Bernard Controls SA	4, rue d'Arsonval BP 76091 95505 Gonesse France	Electro-mechanical	No	Non-executive director	No

AXA Bank Europe

2016 IFRS Consolidated Financial Statements

Contents

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

The annual accounts of AXA Bank Europe 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	2016.12	2015.12	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	361.772	369.813	
Interest income	2.318.678	2.234.785	
Financial assets held for trading (if accounted for separately)	1.720.509	1.534.124	
Financial assets designated at fair value through profit or loss (if accounted for separately)			
Available-for-sale financial assets	99.635	135.250	
Loans and receivables (including finance leases)	463.747	513.588	
Held-to-maturity investments			
Derivatives - Hedge accounting, interest rate risk	21.566	48.919	
Other liabilities	16	2.903	
On liabilities	13.206		
(Interest expenses)	2.081.903	1.998.700	
Financial liabilities held for trading (if accounted for separately)	1.691.748	1.527.653	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	36.760	39.131	
Financial liabilities measured at amortised cost	203.881	260.062	
Derivatives - Hedge accounting, interest rate risk	147.447	171.765	
Other liabilities		90	
On assets	2.068		
Expenses on share capital repayable on demand			
Dividend income	1.670	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	1.670	9	
Fee and commission income	53.001	43.888	7
(Fee and commission expenses)	42.441	35.973	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	261.980	59.233	8
Available-for-sale financial assets	261.089	56.383	
Loans and receivables (including finance leases)	891	2.850	
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	-1.589	31.949	
Equity instruments and related derivatives	3.592	-2.780	
Interest rate instruments and related derivatives	15.977	45.881	
Foreign exchange trading	-21.158	-11.152	
Credit risk instruments and related derivatives			
Commodities and related derivatives			
Other (including hybrid derivatives)			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	2.705	44.550	9
Gains (losses) from hedge accounting	-205.650	-44.645	10
Exchange differences , net	23.679	5.056	
Gains (losses) on derecognition of assets other than held for sale, net	-34		
Other operating net income	31.675	29.661	11

Consolidated income statement in '000 EUR	2016.12	2015.12	Disclosure
Administration costs	255.852	246.821	
Personnel expenses	92.421	107.190	13
General and administrative expenses	163.432	139.631	14
Depreciation	4.572	4.344	
Property, Plant and Equipment	2.179	2.203	23
Investment Properties			
Intangible fixed assets (other than goodwill)	2.393	2.141	24
Provisions	5.740	-6.554	
Impairment	12.846	27.938	15
Impairment losses on financial assets not measured at fair value through profit or loss	12.846	27.920	
Financial assets measured at cost (unquoted equity)			
Available for sale financial assets			
Loans and receivables (including finance leases)	12.846	27.920	
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	82.761	97.264	
Tax expense (income) related to profit or loss from continuing operations	15.821	16.592	16
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	66.940	80.672	
Total profit or loss after tax from discontinued operations	28.395	-53.444	
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	95.335	27.228	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	95.335	27.228	

Table CIS.1

Consolidated statement of realised and non-realised results in '000 EUR	2016.12	2015.12	
PROFIT (LOSS) FOR THE YEAR	95.335	27.228	
NON-REALISED RESULTS			
Elements not transferrable to result	-10.554	16.777	(3)
Actuarial gains (losses) on defined benefit pension plans	-15.988	25.417	
income tax related to previous elements	5.434	-8.639	
Transferred to profit or loss	-75.706	8.721	
Foreign currency translation	142	-2.688	
Translation gains/losses taken to equity	142	-2.688	
Transferred to profit or loss			
Other reclassifications			
Cash flow hedges (effective portion)	-17.105	12.766	(1)
Valuation gains/losses taken to equity	-23.035	-16.009	
Transferred to profit or loss	5.930	28.775	
Transferred to initial carrying amount of hedged items			
Other reclassifications			
Available-for-sale financial assets	-93.681	-86	(2)
Valuation gains/losses taken to equity	818	-10.407	
Transferred to profit or loss	-94.499	10.321	
Other reclassifications			
Non-current assets and disposal groups classified as held for sale	-3.040	3.040	
Income tax relating to components of other non-realised results	37.978	-4.311	
TOTAL NON-REALISED RESULTS FOR THE YEAR	-86.260	25.498	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	9.075	52.726	
Attributable to equity holders of the parent	9.075	52.726	
Attributable to minority interest			

Table CIS.2

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

Cash flow hedges (1)	2016.12	2015.12
Gross	-17.105	12.766
Tax	5.814	-4.340
Net (1)	-11.291	8.426

Financial investments available for sale (2)	2016.12	2015.12
Gross	-93.681	-86
Tax	32.164	29
Net (2)	-61.517	-57

Actuarial gains (losses) on defined benefit plans (3)	2016.12	2015.12
Gross	-15.988	25.417
Tax	5.434	-8.639
Net (3)	-10.554	16.778

Table CIS.3

Consolidated Balance Sheet

Consolidated Balance Sheet - Assets in '000 EUR	2016.12	2015.12	Annexes
Cash and balances with central banks	657.176	337.156	17
Financial assets held for trading	1.643.504	1.555.673	18 / 21
Financial assets designated at fair value through profit or loss	0		19
Available-for-sale financial assets	4.304.987	7.838.627	20
Loans and receivables	20.650.591	19.765.932	21
Held-to-maturity investments			
Derivatives - hedge accounting	97.758	126.126	22
Fair value changes of the hedged items in portfolio hedge of interest rate risk	478.032	498.363	
Tangible fixed assets	39.815	41.379	
Property, Plant and Equipment	39.815	41.379	23
Investment property			
Intangible fixed assets	8.537	6.885	
Goodwill			
Other intangible assets	8.537	6.885	24
Investments in associates, subsidiaries and joint ventures (accounted for using the equity method- including goodwill)			25
Tax assets	15.939	4.833	
Current tax assets	4.473	4.815	16
Deferred tax assets	11.466	18	
Other assets	98.168	101.635	26
Non-current assets and disposal groups classified as held for sale		633.047	
TOTAL ASSETS	27.994.508	30.909.656	

Table CBS.1

Consolidated Balance Sheet - Liabilities in '000 EUR	2016.12	2015.12	Annexes
Financial liabilities held for trading	1.104.317	900.768	27
Financial liabilities designated at fair value through profit or loss	1.484.385	1.633.560	28
Financial liabilities measured at amortised cost	22.369.680	21.466.856	29
Deposits from Credit institutions	48.640	10.783	
Deposits from Other than credit institutions	17.863.958	16.988.998	
Debt certificates including bonds	3.457.918	3.249.269	
Subordinated liabilities	89.042	117.807	
Other financial liabilities	910.121	1.099.998	
Financial liabilities associated with transferred assets	1.031.061	4.082.301	30
Derivatives - hedge accounting	401.701	544.533	22
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	89.180	112.118	
Provisions	233.169	209.007	31
Tax liabilities	36.715	60.325	
Current tax liabilities	27.945	27.672	16
Deferred tax liabilities	8.770	32.653	
Other liabilities	62.466	63.778	32
Liabilities included in disposal groups classified as held for sale		662.704	
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	26.812.673	29.735.950	

Table CBS.2

Consolidated Balance Sheet - Equity in '000 EUR	2016.12	2015.12	Annexes
Share capital	681.318	681.318	
Paid in capital	681.318	681.318	
Called up share capital			
Share premium			
Other Equity	91.125	91.120	
Equity component of combined financial instruments	90.000	90.000	
Other	1.125	1.120	
Non-realised results	47.915	134.175	
Tangible fixed assets			
Intangible fixed assets			
Hedge of net investments in foreign operations (effective portion)			
Foreign currency translation	147	5	
Cash flow hedges (effective portion)	-21.859	-10.568	
Available for sale financial assets	93.830	155.347	
Non-current assets and disposal groups held for sale			
		3.040	
Actuarial gains/losses relating to defined benefit plans	-24.203	-13.649	
Reserves (including retained earnings)	266.141	239.864	
<Treasury shares>			
Income from current year	95.335	27.228	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	**1.181.835**	**1.173.706**	35
TOTAL LIABILITIES AND EQUITY	**27.994.508**	**30.909.656**	

Table CBS.3

Reconciliation of the available for sale revaluation reserve

2016-12	Gross value	Impact on taxes	net value
Opening balance	235.319	-79.971	155.348
Investment brought in prior accounting periods			
Transfer to P&L following sale	-143.712	48.848	-94.864
Transfers to P&L following changes in premium/discount	49.213	-16.727	32.486
Foreign exchange impact			
Adjustments in the current accounting period	-1.168	719	-449
Investments bought in the current accounting period			
Adjustements in the current accounting period	1.985	-675	1.310
Closing balance	141.637	-47.806	93.831

Table CBS.3

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

Table CBS.4

VAT BE0404.476.8351212

Consolidated Statement of Changes in Equity

Sources of equity changes 2016.12 in '000 eur	Paid in capital	Equity components of combined financial instruments	Other equity instuments	Unrealised gains and losses - reserves from foreign currency translations	Unrealised gains and losses - cashflow hedges	unrealised gains and losses - 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**	**1.120**	**5**	**-10.568**	**155.347**	**-13.649**	**3.040**	**239.864**	**27.228**	**1.173.706**
changes in capital											
issuance											
profit (loss)										95.335	**95.335**
Cash dividents declared											
Revaluation change of available for sale financial assets						-61.517					**-61.517**
changes in fair value			5	142			-10.554				**-10.406**
cash flow hedges					-11.291						**-11.291**
releases to retained earnings									26.276	-27.228	**-952**
capital reduction											**0**
other								-3.040			**-3.040**
Closing balance	**681.318**	**90.000**	**1.125**	**147**	**-21.859**	**93.830**	**-24.203**	**0**	**266.141**	**95.335**	**1.181.835**

Table CSCE.2

* of which 95.3 million EUR attributable to the shareholders of the parent company

Sources of equity changes 2015.12 in '000 eur	Paid in capital	Equity components of combined financial instruments	Other equity instuments	Unrealised gains and losses - reserves from foreign currency translations	Unrealised gains and losses - cashflow hedges	unrealised gains and losses - 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 CSCE.2

* of which 27.2 million EUR attributable to the shareholders of the parent company

Consolidated Cash Flow Statement

OPERATING ACTIVITIES	2016.12 in '000 EUR	2015.12 in '000 EUR
Net profit (loss)	95.334	27.228
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	15.952	120.543
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	15.821	16.592
Unrealised foreign currency gains and losses		-2.688
FV through P&L	131	106.639
INVESTING AND FINANCING	11.678	25.728
Depreciation	4.572	4.362
Impairment	12.846	27.920
Provisions net	-5.740	-6.554
Other adjustments	-14.540	19.028
Cash flows from operating profits before changes in operating assets and liabilities	**108.424**	**192.527**
Decrease (increase) in working capital (excl. cash & cash equivalents):	247.359	-182.843
Decrease (increase) in operating assets (excl. cash & cash equivalents):	**2.494.156**	**12.093.734**
Decrease (increase) in balances with central banks		
Decrease (increase) in loans and receivables	-897.505	5.873.111
Decrease (increase) in available-for-sale assets	3.475.590	1.411.777
Decrease (increase) in financial assets held for trading	-87.831	4.856.793
Decrease (increase) in financial assets designated at fair value through profit or loss		
Decrease (increase) in asset-derivatives, hedge accounting	28.368	45.933
Decrease (increase) in non-current assets held for sale		
Decrease (increase) in other assets (definition balance sheet)	-24.466	-93.880
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	**-2.246.798**	**-12.276.577**
Increase (decrease) in deposits from credit institutions	83.663	70.765
Increase (decrease) in deposits (other than credit institutions)	679.154	-75.416
Increase (decrease) in debt certificates (including bonds)	208.649	-208.095
Increase (decrease) in financial liabilities held for trading	192.317	-5.386.880
Increase (decrease) in financial liabilities designated at fair value through profit or loss	-137.812	-39.293
Increase (decrease) in liability-derivatives, hedge accounting	-156.730	-485.823
Increase (decrease) in other financial liabilities	-3.091.117	-6.169.367
Increase (decrease) in other liabilities (definition balance sheet)	-24.921,72	17.532
	355.783	**9.684**
Income taxes (paid) refunded	-2.216	-6.741
Net cash flow from operating activities	**353.566**	**2.943**

INVESTING ACTIVITIES	2016.12 en '000 EUR	2015.12 en '000 EUR
(Cash payments to acquire tangible assets)	-615	2.197
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-4.045	-3.597
Net cash flow from investing activities	**-4.660**	**-1.400**

FINANCING ACTIVITIES	2016.12 en '000 EUR	2015.12 en '000 EUR
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-28.765	-50.860
Cash proceeds from issuing shares or other equity instruments		
Net cash flow from financing activities	**-28.765**	**-50.860**
Effect of exchange rate changes on cash and cash equivalents		

	2016.12 en '000 EUR	2015.12 en '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	320.020	-49.319
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	337.156	386.474
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	657.176	337.155
Components of cash and cash equivalents:		
On hand (cash)	57.389	62.342
Cash and balances with central banks	560.706	269.567
Loans and receivables	39.081	5.246
Available-for-sale assets		
Total cash and cash equivalents at end of the period	**657.176**	**337.155**
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	2.318.679	2.234.785
Dividend income received		
Interest expense paid	2.081.904	1.998.610

	2016.12 en '000 EUR	2015.12 en '000 EUR
changes arising from discontinued operation		29.657
changes arising from discontinued investment activity		
changes arising from discontinued financing activities		

In 2016, the cash and cash equivalents increased by 320.0 million EUR, mainly due to an increase in current accounts at central banks (+ 291.1 million EUR).

This increase is primarily found in business activities (+ 353.6 million EUR). On the other hand, cash flows from operating profits increased by 108.4 million EUR. In addition, the net cash flows from changes in company asset and liabilities increased by 247.4 million EUR. The company assets decreased by 2,494.2 million EUR, especially in the available-for-sale assets (-3,475.6 million EUR) offset by an increase in loans and receivables (+ 897.5 million EUR). Company liabilities dropped by 2,246.8 million EUR, mainly due to a reduction in the other financial obligations by 3,091.1 million EUR (drop in repos), partly compensated by a rise in client deposits by 679.2 million EUR.

The investment activities led to a reduction in cash and cash equivalents by 4.7 million EUR. This occurred mostly in the rise in intangible assets by 4.0 million EUR.

The financing activities led to a reduction in cash and cash equivalents by 28.8 million EUR, mainly due to a repayment of deferred loans.

Notes to the Consolidated Financial Statements

1 General

At 31 December 2016, AXA Bank Europe, a limited company under Belgian law, whose registered office is at 1170 Brussels, Vorstlaan/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 office of AXA Bank Hungary and the subsidiaries of Royal Street NV, AXA Belgium Finance B.V. and AXA Bank Europe SCF (Société de Crédit Foncier).
The following subsidiaries were not recognised in the consolidation scope during the financial year 2016 given their negligible significance (see more about this under chapter 2.1).

- Motor Finance Company N.V.
- Beran NV

Further information regarding these companies is found under chapter 25 Investments in associates, subsidiaries and joint ventures. The measurement method can be found in chapter 20 Available-for sale financial assets.
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, and an associated company, as mentioned under chapter 25, that is not consolidated for immateriality reasons.
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 Purchase of Entities of the AXA Group

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 – *Business Combinations*. 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.

2.2.1.1 Initial Recognition

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, AXA Bank Europe 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 AXA Bank Europe 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 hedged 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 value in 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.

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; or
- 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.

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 AXA Bank Europe 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 AXA Bank Europe 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 AXA Bank Europe definitely intends to hold until maturity.

At AXA Bank Europe, these are promissory notes that SCF 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 – subject to approval of the parent company - within this category (in relation to assets held to maturity).

2.2.1.2 Subsequent Recognition

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) and (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 non-recoverability, 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 rules 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 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:

- securities with unrealised losses of more than 30% and which have been in existence 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.

AXA Bank Europe has decided, in such cases, to designate these contracts at fair value through profit or loss (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).

2.2.2.1 Initial Recognition

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 AXA Bank Europe 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 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 AXA Bank Europe in the following three instances.

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 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;
2. 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;
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.

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 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.

2.2.2.2 Subsequent Recognition

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 to individual assessment. The impairment is based on the market value and subsequent counter value 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 cannot 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.
AXA Bank Europe has decided, in such cases, to designate these contracts at fair value through profit or loss (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 or 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).

With the first entry, all marginal transaction costs are added and all remunerations received are deducted from the initial fair value:

- the acquisition costs on credit files are added to the purchase price and spread over the duration of the loans based on the effective interest rate;
- The file costs charged on the mortgages and investment loans are deducted from the purchase price and also spread over the duration of the loans based on the effective interest rate;

- the reinvestment remunerations charged on the refinanced mortgages are deducted from the purchase price and spread over the average duration of the mortgages.

The effective interest rate is the interest rate that discounts the expected contractual cash flows during the expected duration of the loans exactly to the net book value of the loan.

The disposal of the loans occurs on the maturity date or earlier in the case of a whole or partial repayment. Reinvestment remunerations on loans that are terminated appear all at once in the income statement. The portion of the acquisition costs yet to be written off is in that case reversed in the income statement in proportion to the amount paid back.

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

Risks of a doubtful and uncollectible nature are:

- the problem-risks of counterparties whose inability to observe their liabilities is established or almost certain;
- and also the risks in dispute, of which it is established or almost certain that the outcome of the settlement is or will be that the disputed receivables are uncollectible, or the disputed retrieval recourse cannot be exercised.

Risks with uncertain progression are:

- the problem-risks of counterparties of whom it has been ascertained or is predicted that they are experiencing difficulties observing their liabilities, yet whose inability is neither established or almost certain;
- and also the risks of dispute the settlement of which is uncertain.

Risks in which the counterparties are deemed 'unlikely to pay' occur:

- if AXA Bank Europe established a deterioration of the customer's credit worthiness;
- if the customer is assigned a forbearance measure (restructuring) and the loan or loans involved demonstrate payment arrears of 30 days;
- if the customer is in a probationary period after having been deemed 'uncertain'.

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 , 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 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.

Loans with the status 'normal progression; are valued on a collective basis based on latent indicators (the model 'incurred but not yet reported losses') and the expertise of AXA Bank Europe. Where appropriate, provisions for credit lines not included are applied for loans in the status 'normal progression'.

For all credit types, it is the case that a non-individualised special depreciation is applied as from the status 'unlikely to pay' for the expected loss on these portfolios, determined based on statistical conclusions relating to the evolution of these risks. Where appropriate, provisions are applied for loans in the status 'unlikely to pay' for credit lines not included.

For all credit types, except for instalment loans, giro accounts of private individuals and the ‘budget +’ accounts (see below), it is the case that an individualised special depreciation is applied as from the status ‘uncertain’ for the expected loss on these portfolios, determined based on statistical conclusions relating to the evolution of these risks. Where appropriate, provisions are applied for loans in the status ‘uncertain’ for credit lines not included.

For all credit types, except for instalment loans (see below), it is the case that as from the status ‘doubtful and uncollectible’ the file is monitored individually and special depreciations are entered, taking into account the evolution of the file and in particular the securities. These files remain valued on an individual basis, even if the securities are sufficient. Each special depreciation is entered individually for each file.

For instalment loans not corresponding to the loans with the status ‘normal progression’ or ‘unlikely to pay’, an individualised special depreciation is applied for the expected loss on these portfolios, determined based on statistical conclusions relating to the evolution of these risks.

For giro accounts of private individuals and the ‘budget +’ accounts not corresponding to the loans with the status ‘normal progression’ or ‘unlikely to pay’, an individualised depreciation is applied for the expected loss on these portfolios, determined based on collective statistical conclusions, taking into account losses observed in the past.

For determining the net profits and losses:

- a distinction is made between the interest margin and surplus or reduced values realised;
- the results are presented net.

2.3.3 Loans and Receivables – Forbearance Measurements

Forbearance measures consist of concessions towards a borrower facing or about to face financial difficulties. Forbearance measures can be taken only if there is a mutual agreement between the borrower and the bank on these measures.
Concessions are changes in the modalities of a credit facility or a total or partial refinancing in favour of the borrower, which are granted, when the borrower is in financial difficulties. This favour wouldn’t be granted if the debtor is not experiencing financial difficulties. Concessions may (and not must) entail a loss for the lender and typically imply a change in the terms and conditions of the credit contract.
Triggered by specific events, the bank’s credit exposure on a borrower is reviewed. On that occasion, a risk assessment is made by experts who can be assisted by rating models. This assessment is ultimately submitted to the competent decision level. From the moment a concession will be or is granted to a borrower, the following situations must be seen as important indicators that the borrower is in financial difficulties. Financial difficulties refer to the situation in which the debtor is considered to be unable to comply with the terms and conditions of a credit (‘troubled debt’). Financial difficulties must always be assessed on a client level. The concession is thus to be classified as a forbearance measure when:

1. the modified facility was totally or partially past-due by more than 30 days (without being in default) at least once during the three months prior to its modification or would be more than 30 days past-due, totally or partially, without modification;
2. simultaneously, with or close in time to the granting of additional debt, the borrower made payments of principal or interest on another credit within ABE; that was totally or partially 30 days past due at least once during the three months prior to its refinancing;
3. embedded forbearance clauses are used for borrowers who are 30 days past-due. Or who would be 30 days past-due without the exercise of these clauses;

When there are no indications that the debtor is in financial difficulties, the concession is not to be treated as forborne. By example, if the consumer asks for a reduction of his interest rate otherwise he will resign his loan, this is not forbearance even if it is a concession.
The forbearance classification on performing expositions can be stopped when all of the following conditions are met:

1. the facility is considered as performing;
2. a minimum 2-year probation period has passed from the date the forborne facility was considered as performing or granted;
3. regular payments of the full foreseen amount have been made during at least half of the probation period;
4. none of the exposures to the debtor is more than 30 days past-due at the end of the probation period (= minimum period during which a facility has to be classified as forborne).

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 are 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, the derivatives must be bifurcated from the host contract.
In both cases, IFRS 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 gain 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 transaction date.
Changes in fair value are recognised directly in the income statement, except for derivatives used in cash flow hedges (see 2.4.4).

2.4.4 Hedge Accounting

The following types of hedges are possible:

- A 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 portfolio of 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.
- A 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.
- A 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

Securities borrowings are not recognised on 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 recognised on 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 Fee Income and Financial Guarantees

2.5.1 Fee Income

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 an accrual basis over the term of the services. Examples are reservation commissions for non-recognised credit line amounts, fees 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’ valuation 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 such case, IFRS allows for the whole contract to be designated at fair value through profit or loss if 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 AXA Bank Europe 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.

   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.

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 amortised 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 gain or loss.

2.8 Foreign Currency Translation

The presentation currency of AXA Bank Europe 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:

1. the currency:
   - which essentially determines the sale price of goods and services, and
   - of the country where the competition and regulations primarily determine the sales price of its goods and services.
2. 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:

1. assets and commitments are converted for each balance sheet presented (i.e. including comparative figures) at the closing price on the balance sheet date;
2. profits and losses are converted for each income statement (i.e., including comparative figures) at an average exchange rate;
3. all resulting currency rates are recognised as a separate equity component.

2.8.3 Conversion of Monetary Components into a Functional Currency

Monetary components are currency units held as well as assets and liabilities which must be received or paid in a fixed number or a number to be determined of currency units. This concerns 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 the functional currency 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 a Functional Currency

Non-monetary components are components other than monetary ones. This primarily involves non-fixed income securities.
When recognised in the balance sheet, non-monetary components in foreign currency are converted into euros at the current rate of exchange on the transaction date or the spot price of the underlying exchange transaction.
The periodic non-monetary rerating process differs depending on the rating category:

1. for non-monetary components valued at cost, once the conversion into euros has taken place, this value in euros is maintained until derecognised from the balance sheet;
2. for non-monetary components 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;
3. 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 and Provisions

2.9.1 Contingent Assets and Liabilities

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 is recorded as an asset.
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 the closing date, such as salaries, social security payments, sick leave, holiday pay and bonuses, provisions are created that are not discounted.
For long-term employee benefits not including benefit plans, such as career breaks, bonuses for 25 and 35 years of service, bonuses or other remuneration, only paid more than one year following the closing date, the calculation of cash value of gross liabilities applies; The actuarial differences as a result of the periodic revision of valuations and assumptions are recognised directly in the income statement.
At AXA Bank Europe, 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:

1. 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;
2. 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 Taxes

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 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 liabilities 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

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 Bank Europe has been anticipating expected IFRS changes and volatile markets 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 recover the deferred tax asset and for the unused tax credit balance that can be offset.

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 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:

1. technical feasibility to complete the intangible asset, so as to make it available for use;
2. intention to complete and use the intangible asset;
3. capacity to use the intangible asset;
4. how the intangible asset is likely to generate future economic benefits;
5. availability of adequate technical, financial and other means to complete the development and use the intangible asset;
6. capacity to reliably evaluate expenses attributable to the intangible asset during its development.

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

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 devices, products, processes, systems or services; formulation, design, evaluation and final selection of possible alternatives for new or improved devices, products, processes, systems or services.
- development phase: the design, construction and testing of pre-production or pre-use prototypes and models; the design of new devices, products, processes, systems and services; the design, construction and operation of a specific test environment; the design, construction and testing of a chosen alternative.

Mandatory projects, i.e. projects that are imposed by legislation, regulation or other non-avoidable and mandatory instances (e.g. system upgrades decided by an external provider) are always considered to have a positive business case without having to specifically demonstrate it. This is because it is considered that by doing the project high expenses are avoided such as having to manually solve the problem, recruiting external specialists, paying fines, etc.

Intangible fixed assets are subject to an impairment test.

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

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 IFRS.
A change in estimate is applied prospectively. Inasmuch as a change in estimate leads to changes in assets and liabilities, or relates to a component of the equity, this change is settled in the period in which the change has taken place, by changing the carrying amount of the relevant asset, the relevant liability or the relevant component of the equity.
Any change in the accounting policy must be applied retroactively.
If it is not feasible to determine the consequences of a change in a financial reporting policy on comparative information for one or more previous reporting periods, the new financial reporting policy is applied on the carrying amount of assets and liabilities from the start of the earliest period (the earliest period can be the reporting period) for which retroactive application is possible. For this period, the initial balance for each relevant component of the equity is adjusted accordingly.
If it is not feasible to determine the cumulative effect, at the beginning of the reporting period, of the application of a new accounting policy on all previous reporting periods, the comparative information is adjusted to apply the new financial reporting policy prospectively from the earliest time at which it is practically feasible.
In such cases additional relevant documentation is provided in the explanatory notes.

GLOSSARY

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 assets and liabilities which the company decides to value at fair value through profit or loss, because (1) the classification leads to more relevant information since it eliminates or significantly reduces a measurement or recognition inconsistency ('an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them based on different rules, or (2) because the classification leads to more relevant information since a group of financial assets or liabilities are managed and their performance evaluated on the basis of their fair value in accordance with a documented risk management or investment strategy, or (3) it involves structured assets or liabilities, 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.
- 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

The consolidated financial statements of AXA Bank Europe were drawn up in compliance with the International Financial Reporting Standards (IFRSs) – including the International Accounting Standards (IASs) and Interpretations - at 31 December 2016 as accepted within the European Union.
Accounting policies that are not specifically mentioned comply with the IFRSs as accepted within the European Union.

3.1 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 standards, interpretations and amendments to interpretations that have been published, accepted within the European Union and for the first time applicable on 1 January 2016:

- Amendments to IFRS 11 – *Joint arrangements*, 'Accounting for Acquisitions of Interests in Joint Operations' (published on 6 May 2014). These 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 have no 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 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 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 aim to provide better disclosures in the financial statements based on professional judgement by the company. These principles have been applied in the consolidated financial statements of the Group without major changes compared to last year;
- Amendments to IFRS 10 – *Consolidated Financial Statements*, IFRS 12 – *Disclosure of Interests in Other Entities* and IAS 28 – *Investments in Associates and Joint Ventures* – 'Investment Entities Applying the Consolidation Exception' (published on 18 December 2014). These have no impact on the consolidated financial statements of the Group;
- Amendments of the 2012-2014 cycle (published on 25 September 2014). These have a minimal impact on the consolidated financial statements of the Group:
    - 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.

Standards, amendments to standards, interpretations and amendments to interpretations that have been published, accepted within the European Union and only applicable at a future date:

- IFRS 9 *Financial Instruments* was published as a final version on 24 July 2014. This standard is applicable as from the financial year 2018.
  See chapter 3.2.
- 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.

Other changes:

Standards, amendments to standards, interpretations and amendment to interpretations as published by the IASB are first subject to an endorsement process in the European Union before they are applicable in the consolidated financial statements of AXA Bank Europe. Currently a number of amendments are still in the pipeline of that EU endorsement process, of which the new standard IFRS 16 - *Leases* is the most important. This standard has been published on 13 January 2016, is applicable for the IASB as from 1 January 2019 and introduces a uniform accounting methodology for lessees. The Group is currently assessing the impact of this standard on the consolidated financial statements.

3.2 IFRS 9

IFRS 9 – *Financial Instruments* contains 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.

Based on the current data, AXA Bank Europe does not expect any significant impact on the balance sheet or equity under the modified rules on classification and rating (first phase) and the general hedging rules (third phase).
As far as the second phase is concerned — the new method to calculate special impairments — AXA Bank Europe cannot provide a precise impact analysis currently because the models are currently being developed, including the possible choices and allocations within those models, and because the level of impairments will depend on the economic situation at the introduction of the new methodology and the assessment of the credit losses at that time. Based on the current data, it is however expected that the requirement to take the 'lifetime expected credit losses' into consideration with a significant increase of the credit risk since the initial recording, being the expected credit losses over a time span of the entire duration of the debt instrument (credit or fixed-rate effect), instead of 1 year upon initial uptake, may lead to an increase in the value of the special impairments.

Governance of the IFRS 9 Project:

The IFRS 9-project is monitored by a project Steering Committee reporting to a number of delegated members of the AXA Bank Europe Executive Committee. The following project components were defined:

- 'Classification and valuation': impact study of the first phase of IFRS 9. This impact study was largely completed in September 2016 (with some remaining issues in 2017). A section of the investment portfolio would be classified as continued for collecting cash flows, while another section would be deemed continued for collecting cash flows and sales. The retail activity would be deemed continued for collecting cash flows.
- 'Special depreciations': impact study of the second phase of IFRS9, including the determination of the methodology and the development of the models. The methodology was established and the models are currently being developed (see below). This project phase will in principle be concluded in June 2017.
- 'Accounting Information': determination and realisation of the necessary changes to the accounting systems following the two previous project phases. This part was commenced in August 2016 and is expected to be delivered by the end of June 2017.

There are in principle no major changes in the accounting systems. The completion of this section in June 2017 serves for commencing a parallel run in the second half of 2017.

- ‘Financial Information’: determination of the disclosures in the different financial reporting sets. This study was commenced in October 2016. The end of this section is scheduled in September 2017.

AXA Bank Europe has the intention to apply hedge accounting under IAS 39.

The IFRS 9-project is also supervised globally by the AXA Group, which is expected to only switch to IFRS 9 in 2021.

Impairment

Based on the recommendations of the EDTF (‘Enhanced Disclosures Task Force’) of December 2015 on useful disclosure to help market participants understand future changes in the ‘impairment’ section of IFRS 9, an overview of the key concepts, governance and processes AXA Bank Europe considers using. Point out that these core concepts, governance and processes, as well as the applicable bases for accounting policies and detailed procedures have not yet been validated by the Auditors by the end of 2016.

General Principle

Under IFRS 9, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) (‘stage 1’); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument) (‘stage 2’).

Interest revenue is calculated differently according to the status of the asset with regard to credit impairment. In the case of a financial asset for which there is no objective evidence of impairment at the reporting date (‘stages 1 and 2’), interest revenue is calculated by applying the effective interest rate method to the gross carrying amount. In the case of a financial asset that has become credit-impaired (‘stage 3’), interest revenue is calculated by applying the effective interest rate to the amortised cost balance, which comprises the gross carrying amount adjusted for any loss allowance.

Significant Increase in Credit Risk

At each reporting date, AXA Bank Europe will measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, AXA Bank Europe will measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The criteria that AXA Bank Europe intends to use in order to identify a significant increase in the credit risk of a financial instrument at the reporting date will be based on the probability of default. AXA Bank Europe would transfer all financial instruments for which the probability of default over 12 months between origination date and reporting date will have increased by a relative amount and to an absolute fixed level. Additional triggers would be when the contractual payments are more than 30 days past due and in the case of forbearance. AXA Bank Europe would not rebut the presumption of 30 days past due.

Definition of Default

AXA Bank Europe’s default definition is in line with Regulation (EU) No 575/2013 and EBA guidelines.

AXA Bank Europe will consider a financial asset to be in default when one or more of the following conditions are fulfilled:

- Unlikely to pay: the borrower is unlikely to pay its credit obligations to AXA Bank Europe in full, without recourse by AXA Bank Europe to actions such as realising collateral;
- 90 days past due: the borrower is past due more than 90 days on any material credit obligation to AXA Bank Europe;
- Pre-litigation: the borrower is 90 days past due and in remediation;
- Litigation: the borrower is 9 months further in pre-litigation or the facility is terminated.

Assumptions used for the cure rate:

- Unlikely to pay: the borrower is no longer in forbearance, the borrower is past due less than 30 days;
- 90 days past due: the borrower is past due less than 90 days;
- Pre-litigation: no more past due amount;
- Litigation: irrevocable process.

Probation period:

- Unlikely to pay: In the case of forbearance minimum 2 years since classification non-performing/facility granted;
- Pre-litigation: 6 months (no reminder over 6 months).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in legislation, market practices,…

AXA Bank Europe has fully aligned the definition of default and credit-impaired.

Determination of Grouping

When applicable, the financial instruments will be grouped on the basis of loans with the same nature and same features:

- instrument type;
- rating

Write-off Policy

Loans and debt securities will be written off (either partially or in full) when there is no realistic prospect of recovery. This will generally be the case when AXA Bank Europe determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the AXA Bank Europe's procedures for recovery of amounts due.

Inputs, Assumptions and Estimation Techniques

The key inputs into the measurement of expected credit losses (ECL) will be the following variables:

- probability of default (PD): the probability that the counterparty will default over a certain time horizon;
- loss given default (LGD): percentage of exposure at default (EAD) to be lost in the event of default of the counterparty;
- exposure at default (EAD): amount to which the bank is exposed in the event of default of counterparty.

These parameters will generally be derived from internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information and any prudential conservativeness will be filtered out.

Two types of PDs will be used for calculating ECLs:

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This will be used to calculate 12-month ECLs;
- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This will be used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures.

AXA Bank Europe intends to derive the 12-month marginal PD from the IRB (Internal Ratings Based) model under Basel, without conservative adjustments.
The lifetime PD would be determined by forecasting the marginal PDs for the different time steps by including forward-looking macroeconomic information (regression model). Beyond the forecasting horizon of the macro-economic variables, a long term target PD estimate would be used to which the marginal PD will converge after some time. The typically decreasing PD behaviour, due to ageing, for certain portfolios such as mortgage loans, would be taken into account.
EAD would be determined based on an estimate of the exposure at a future default date.

LGD would be based on the difference between the contractual cash flows due and those that AXA Bank Europe would expect to receive, including from any collateral. For mortgage loans and professional loans secured by retail property, loan-to-value ratios would be used as a key parameter in determining LGD. For this purpose, a forecasted house price index would be used. Beyond the forecasting horizon of the loan-to-value ratios, expert opinion would be used to estimate the average yearly growth of the house price index.

AXA Bank Europe would derive the lifetime expected loss for financial instruments recognised on the balance sheet by discounting the expected losses (using the effective interest rate), the contractual pay-offs and possible prepayments, with adjustments for missing payments that occurred in the period before default occurred.

It is intended to calculate lifetime expected credit losses as a probability-weighted outcome probably based on 3 scenarios: a medium up-turn scenario, a base scenario and a medium down-turn scenario.

Forward-looking Information

AXA Bank Europe intends to include 3 years of forward-looking information.

The above paragraphs are applicable to AXA Bank Europe’s retail portfolio. Deviations are possible regarding the non-retail portfolio.

-

4 Risk Management

4.1 General

AXA Bank Europe has continued to build towards coherent and prudent risk management in 2016. The bank has broadly implemented robust and effective strategies, policies, processes and systems to identify, measure, manage and monitor its risks.
AXA Bank Europe has continuously adapted risk policies in order to stay on track in a constantly changing environment.
The European Central Bank (ECB) is the competent authority for prudential supervision of AXA Bank Europe. This supervision was effectively carried out by the so-called Joint Supervisory Team (JST) that consists of members of the ECB and the national enforcement body.
Regular consultation took place with the relevant supervisors by means of on-site inspections, workshops, interviews and reports.
In 2016, AXA Bank Europe also took part in a ‘Supervisory Review and Evaluation Process’ (SREP), led by the JST. During this process, the supervisor assessed the bank's risks and decided on minimum capital requirements for the bank in 2017, as well as a number of qualitative recommendations with which the bank will have to comply in future.

The bank's credit risk dropped further in 2016 with the realisation of the sale of its Hungarian branch. All retail activities in Hungary were transferred to OTP Bank in the last quarter of 2016. The official closure of the branch in Hungary is planned for 2017.
The Belgian mortgage market continued to suffer from a high degree of refinancing in 2016 as a result of low interest rates. AXA Bank Europe managed to reduce the pressure on profitability by achieving a significant new production of good quality mortgage loans.
In addition to retail business, AXA Bank Europe acted as an intermediary in providing financial services, mainly derivatives to various entities in the AXA Group.
Although a large volume of derivatives was traded in 2016 with entities in the AXA Group, the balance on AXA Bank Europe off-balance remained relatively stable due to the usual practice of compression in derivatives, mostly to LCH (central counterparty). In addition, fewer derivatives were needed to cover the interest rate risk in the bond portfolio since the portfolio has been significantly reduced.
The liquidity position of AXA Bank Europe remained at a comfortable level in 2016.
The bank's solvency position remains high due to a conservative investment strategy and a conservative dividends policy. The balance sheet total has dropped further in part due to a significant decrease in our investment portfolio, resulting in a positive impact on our leverage ratio.

AXA Bank Europe has further developed an internal stress testing program in 2016. This program describes the different stress test exercises, the risks that are stressed on a regular basis, the use and reporting of the stress test results. The program covers all material risks affecting AXA Bank Europe and performs different types of stress testing (per risk, based on scenarios, reverse stress testing).

Risk Appetite

The permanent identification and quantification of the bank's material risks are at the heart of the AXA Bank Europe risk policy. These risks are measured, limited and constantly tracked using an internal risk appetite framework (Risk Appetite Framework or abbreviated RAF).
In 2016, AXA Bank Europe has developed this so-called RAF further into a strategic tool. A strategic risk appetite was determined for the main areas (capital, profitability, economic values and liquidity), taking the stress sensitivity of these domains into account and in line with the guidelines of the AXA Group. This strategic risk appetite is translated into functional risk limits and forms a guide for the daily activities in the various risks and product lines. This risk appetite model was approved by the Board of Directors and is used by this management body and the Management Committee as a central tool for managing the risks in the bank.

All material risks are translated into relevant indicators, summarized in the ‘risk dashboard’. This includes both regulatory and internal indicators. Different levels of severity are defined for each indicator, so management is warned in good time if an indicator approaches its maximum risk appetite. This ‘risk dashboard’ forms an integral part of the general risk monitoring process and is reported to the Management Committee monthly, and quarterly to the Board of Directors. These risks are also followed up in more detail by the relevant AXA Bank Europe risk committees.

The prospects in the strategic plan and the budget are checked against the RAF limits. The strategic plan undergoes multiple iterations until equilibrium is reached between both profitability and risks. The strategic plan was designed so all risks fall within the risk appetite and the regulatory limits, while taking new and existing regulations into account to meet the regulatory solvency requirements.
The risks are also subject to an economic capital model that generates forecasts covering different horizons. The economic capital is then distributed to all activities of the bank, and this based on the AXA Bank Europe risk objectives. The management of AXA Bank Europe imposes a limit on the total economic capital applied so as to ensure the bank has sufficient financial resources at all times.

Stress Testing

In 2016 AXA Bank Europe was submitted to SREP stress test exercise (SREP = ‘Supervisory Review and Evaluation Process’) of the European Central Bank (ECB). AXA Bank Europe wasn't part of the group of banks selected by the European Banking Authority (EBA) whose results were made public at the end of July, but of the group whose resilience was tested as input for the SREP exercise. Firstly, the quantitative results of the stress test were used as input to determine the ECB Pillar 2 capital guidelines (P2G), while the qualitative aspects were invoked to determine the Pillar 2 capital requirements. The qualitative aspects not only include an assessment of the extent to which AXA Bank Europe manages to deliver the required information in a timely manner, but also an assessment of the notion held by AXA Bank Europe of the risks contained in its business model.
The 2016 stress test was more extensive than the exercise of 2014 because the operational risk and CVA risk were also taken into account, among others. The solvency ratios were significantly higher than the results of the 2014 stress test, and there were two reasons for this. The test date was set at the end of 2015. At that time, the important risk mitigation measures were already fully implemented and there were no ABS or MBS present on the balance sheet any more. In addition, the solvency ratios at the end of 2015 – the starting point for the exercise – were significantly higher than in the previous stress test in 2014.
Most important, the exercise confirmed the causes of AXA Bank Europe's weaknesses. AXA Bank Europe's main risk exposure concerns possible fluctuations in interest rates and government spreads that have an immediate impact due to the size of its investment portfolio. It should however be noted that the investment portfolio has already been reduced by more than a third since the end of 2015. The second biggest risk factor concerns the retail credit risk due to the concentration of mortgage loans and therefore, de facto, the exposure to risks from the residential real estate market. In addition, the stress test confirmed the bank's exposure to interest rate fluctuations, which could lead to a decrease in net-interest revenue in the income statement.
The SREP stress test not only allowed AXA Bank Europe to correctly estimate the risks contained in its business model, but also provided valuable material to improve its own internal stress test framework.

In the following sections, we will focus more on the important risk categories to which AXA Bank Europe was exposed to in 2016, namely credit, market, liquidity, operational and strategic risks. All these risks have a potential impact on the bank's objectives in terms of solvency, liquidity and profitability.
The other risks of the bank are described in the AXA Bank Europe report ‘Pillar 3 Risk Disclosure’.

4.2 Credit Risk

The credit risk is the risk of losses due to the default or deterioration of the credit quality of counter parties in credit activities.

AXA Bank Europe's main core business consists of pure retail bank activities, in other words, raising funds (daily transactions, savings products) and the supply of loans to its customers, especially households, professionals and small businesses through its network of independent agents. Most of the bank credit risk stems from these activities, which include both balance sheet and non-balance sheet entries, such as unused credit lines.

The credits/deposits ratio at the end of 2016 was 98%.

AXA Bank Europe also converted a part of its retail mortgage loans into RMBS (‘Retail Mortgage-backed Securities’), part of which was converted into covered bonds that are sold on the financial markets, so a comfortable buffer could be constructed in terms of liquidity. Some of this liquidity is included in an investment portfolio with a low credit risk profile. (See chapter **Error! Reference source not found.**)

Another source of credit risk is the derivatives activity conducted to support the AXA Group activities, as well as for the management of repo and reverse-repo activities for the AXA Group.

4.2.1 Retail Credit Risk

AXA Bank Europe is exposed to credit risks as a result of credit activities involving Belgian retail customers. The risks associated with the retail credit portfolio in Belgium concern mortgages, consumer loans and business loans. The largest part consists of mortgage loans (with a share in 2016 of almost 88% of the total outstanding amounts).
The purpose of credit risk management is to prevent one or more credit events from affecting the solvency or profitability of the bank.
To achieve this objective, loan portfolios must remain within certain predetermined limits. These limits are determined by a previously elaborated risk appetite framework (RAF) in which functional limits are defined. These functional limits are translated into operational limits and it is these limits that are used on a daily basis to ensure the credit activity operates within the risk appetite defined by the

Board of Directors. One can get a good understanding of the risk-evolutions because of these and other extensive reports by Risk Management on risk factors in the Belgian retail loan portfolio.

In addition, credit risk management has developed a framework which makes it possible to evaluate the credit activity's risk-weighted return. A RAROC framework (risk-adjusted return on capital) was already developed for mortgage loans in 2015. The past year, a similar framework was developed for both professional and consumer credits. Thus, the RAROC framework grew to become an essential element in the profitability analysis of the retail credit activity.
In addition to qualitative models, risk management also includes quantitative models and opinions by experts. For instance, the bank uses an advanced internal ratings based model (IRBA) for its Belgian credit portfolio. Internal rating models have thus been developed. They are used to calculate capital requirements, but also for the acceptance and management of loans and for calculating provisions.

Portfolio

In chapter 21 'Loans and Receivables', the financial instruments are broken down by exposure to credit risk.

The mortgage loan portfolio experienced a strong net growth in 2016 by over 1 billion EUR thanks to a significant production and excellent quality, but this was partially offset by a high volume of refinancing on the Belgian market.

We noticed a decrease of 15 million EUR for the consumer credit portfolio, because the production was still not sufficient to offset the portfolio's natural erosion. This decrease is however lower than in 2015, where a decrease of 64 million EUR was observed.

In contrast to 2015, we noticed an increase of 51 million EUR on the professional loans portfolio. This is in line with the strategic initiatives of AXA Bank Europe to intensify the relationship in the professional segment.

Given the good coverage and the low probability of default for retail financing, the risk profile of the total loan portfolio is particularly low.

Guarantees

Mortgage Loan Guarantees

The loan must be secured by a mortgage (registration or mandate) on an immovable property (full ownership). The properties should be sellable in a normal manner. Property guarantees are required by law. The mortgage guarantees to be established are reusable in view of any subsequent mortgage loans. All the guarantees in addition to the mortgage guarantees must be established before the official registration of the credit (this therefore also applies for additional movable guarantees). With a bridging loan, a mortgage mandate is in principle established on both the property to be sold and the property to be acquired.

Guarantees for Business Loans

The guarantees are (1) real (they concern a property, movable or immovable, with an intrinsic value), (2) personal (they consist of a right of claim on a person) and/or (3) moral (they do not offer a bank any agent and are based on the fairness of those who issued them).
A list of guarantees that are regularly used for professional loans at AXA Bank Europe can be found in chapter 34.

Guarantees for Short Term Loans

Only one type of guarantee is used for a consumer credit: ceding a claim or ceding wages and other income.

Credit Quality

Performing

The credit losses amounted to a total of 3.6 million EUR in 2016, compared to 19.7 million EUR in 2015. The losses in 2016 are significantly lower than those in 2015, for 2 main reasons. The main driver for the lower losses is the structurally improved risk profile of the loan portfolio. It was decided in 2013 to tighten the credit policy so as to improve the quality of the portfolio. This adaptation has had a somewhat delayed effect on the credit losses in 2016. In addition, there are some exceptional elements which made a further contribution to the huge drop in credit losses in 2016 (e.g. important additional income as a result of the sale of already written off credits, an exceptional decline in commissions on mortgage loans due to the adjustment of the underlying commission model).

An essential part of the credit risk policy is formed by the 'Bank Collection' Department. The Department takes the necessary measures to reduce the bank's risk to a minimum depending on the nature and severity of the problem. In addition, the Department determines the monthly provisions amount needed for impairment losses.

We witnessed a global recovery of the observed default rate[1] (over a period of one year) in the Belgian portfolio, from which it can be concluded that the quality has increased and that the product mix of credits in Belgium has improved.

The default rate over 12 months for mortgage loans fell from 0.8%[2] in December 2015 to 0.5% in December 2016. The vintages of the new production are still declining and it is therefore expected that this downward trend will persist when economic conditions remain unchanged.

The default rate over 12 months for loans to professionals and small businesses dropped from 1.9% observed in December 2015 to 1.7% in December 2016, which reflects the defensive approach of the past few years.

A decrease in the default rate over 12 months was also observed for consumer loans (from 1.3% in December 2015 to 1.2% in December 2016) due to a better risk selection and a change of the product mix to loans with a particular purpose.

In chapter 15 'Impairment', the portfolio is split into a portion that is overdue but hasn't yet gone into default (overdue ≤ 90 days) and a portion that is overdue and in default (overdue > 90 days).

Non-performing

AXA Bank Europe's definition of default on the retail loan portfolio is fully in line with the ITS which was published by the European Banking Authority (EBA) in July 2014. AXA Bank Europe chose to implement a very strict definition of default, resulting in an increase in the number of loans flagged as 'unlikely to pay' and the corresponding commission amounts, without affecting the quality of the underlying portfolio changes. In concrete terms, this means that a client/loan is in default if at least one of the following conditions applies:

- The client/loan is 'unlikely to pay'
- The client/loan has '> 90 days payment arrears' but is not in 'pre-litigation'
- The client/loan is in 'pre-litigation' (PCX = ('précontentieux')
- The client/loan is in 'litigation' (CX = 'contentieux')

See specific table in chapter 15 'Impairment'

4.2.2 Non-retail Credit and Concentration Risk

The Wholesale Risk Committee is responsible for the checks on the extended limit framework concerning the credit quality of non-retail counterparties. The limit framework assesses exposures to counter parties at different levels (country, sector, type of instrument and counterparty) and prescribes limits at these different levels to limit both the individual counterparty risk and exposure to the concentration risk. The Wholesale Risk Committee works within the risk appetite context that has been approved by the AXA Bank Europe Board of Directors.

In addition, AXA Bank Europe also follows up on its investment portfolio in terms of:

1. Adequacy of securities for the calculation of the liquidity cover ratio (see chapter **Error! Reference source not found.**). The AXA Bank Europe investment policy is almost exclusively limited to assets of the highest liquidity class, as defined by Basel III (L1);
2. Adequacy of securities for the calculation of the solvency ratio.

In addition to the fact that credit and concentration risks are followed locally, this is also monitored at the AXA Group level.

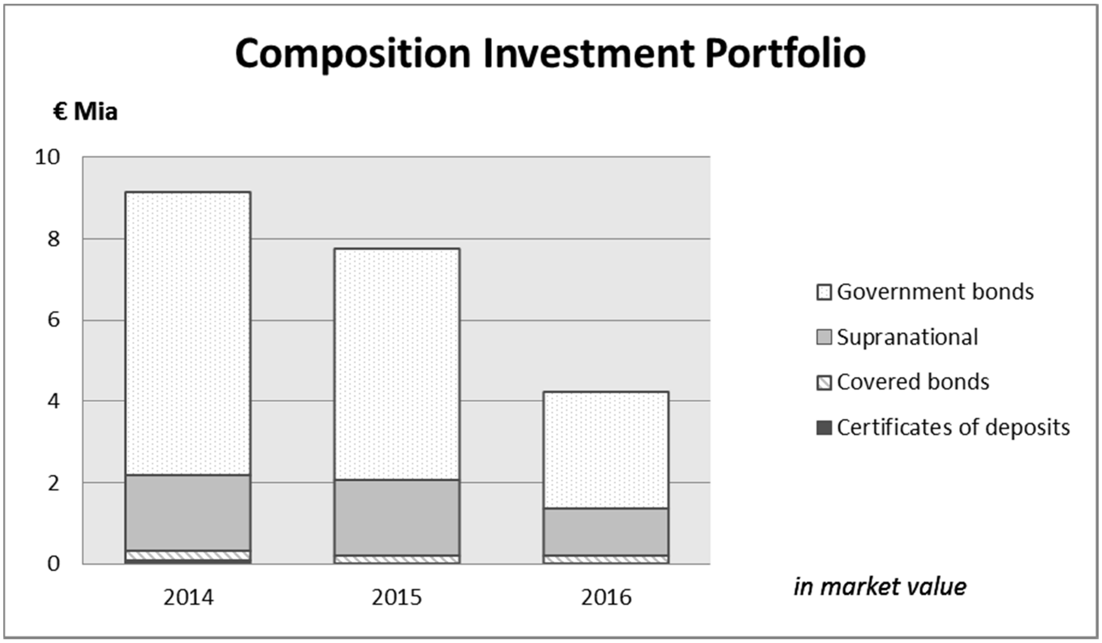
AXA Bank Europe reports on a monthly basis all of its positions to the Central Risk Management Department of AXA Group to ensure compliance with this second set of limits.

4.2.2.1. Investment Portfolio

[1] 'Default rate over one year' means the ratio between the number of defaults that occurred during a period beginning one year before a date T (observation date) and the number of debtors that is assigned to this degree or pool, one year before that date (example date).

2 Based on the old default definition

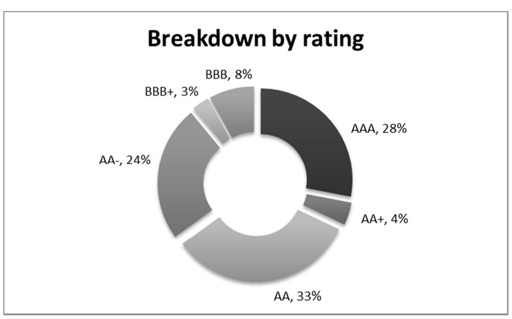
In 2016, the investment portfolio book value (including the non-realized capital gains and losses) dropped from 7.4 billion EUR to 4 billion EUR, mainly due to the sale and maturing of government bonds. The majority of the AXA Bank Europe investments consist of high quality government bonds (67%) and supranational bonds (29%).

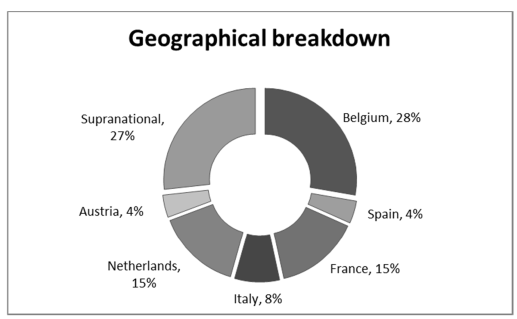


* In billions EUR

In addition, credit ratings and changes in the market price of AXA Bank Europe positions are carefully monitored to examine the vulnerability of the loan portfolio for a number of adverse developments. No position has a rating lower than investment grade.
Geographically, the credit risk of the investment portfolio is limited to countries who are members of the European Union.

Breakdown of the government portfolio national and supranational (December 2016)





AXA Bank Europe follows its exposure to PIIGS countries closely. As several PIIGS government bonds matured in 2016 and were not reinvested, the total exposure to these PIIGS countries has dropped by 72.9 million EUR.

Exposure to Spain has dropped (from 197 million EUR to 151 million EUR), exposure to Italy has remained virtually stable and that to Portugal (15 million EUR end 2015) is gone. AXA Bank Europe only invests in government bonds of Spain and Italy.

You will find a list of accounting PIIGS-exposure as at 31 December:

Country	Type of Instrument	Market value 2015	Market value 2016	% evolution
Spain	Sovereign	197,077	151,155	-23%
Italy	Sovereign	340,062	328,758	-3%
Portugal	Sovereign	15,491	0	-100%

4.2.2.2. Counterparty Credit Risk of the Trading Room Activity

AXA Bank Europe offers a centralised platform for the entities of AXA Group to access financial markets. Several insurance entities within AXA Group use this platform, which offers two services. First of 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. In order to measure the counterparty credit risk of these derivatives, we take into account the possible future evolution of the derivative value in case of counterparty default. To achieve this, the derivatives are valued after applying market shocks. The losses that are caused by these market shocks should stay under the allowed limit for the counterparty. Secondly, AXA Bank Europe provides liquidity to insurance entities via standardized money market transactions ('reverse repos') in which AXA Bank Europe buys high-quality government bonds and commits to sell these bonds again at a specific future date and price. The volume of this activity amounted to 926 million EUR at the end of 2016, with maturities up to maximum 1 year. The value of the bonds should be 10% above the cash value for these transactions. This protects AXA Bank Europe from a loss due to negative price evolution of the bonds in case of a counterparty default.

The bank's exposure to derivatives and money market transactions, including the transactions within the AXA Group, which are described in the previous paragraph, is limited via a very strict policy regarding collateral requirements. Exposures to such transactions are subject to a daily credit risk monitoring and collateralized on a daily basis with both market counterparties and AXA Group counterparties. Guarantees exchanged are limited to cash and high-quality securities in order to ensure adequate limitation of credit exposures.
The counterparties for the trading room activity of treasury and derivatives are selected based on external ratings of three rating agencies (Fitch, Moody's and Standard & Poor's) which results in an internal AXA rating. In order to qualify as an active trading partner, counterparties should have an AXA rating of at least A-. There are also 'passive' counterparties which have a rating of at least BBB+. With these counterparties, there are still open positions from, but no new trades are allowed. These counterparties are of course monitored closely. For all derivatives, it is mandatory to enter into an 'ISDA Master Agreement' and a 'Collateral Service Agreement'. For repo transactions, it is mandatory to enter into a 'Global Master Repurchase Agreement'. Every new counterparty should be presented to and approved by the Wholesale Risk Committee.

<u>Exposure at Default</u>

AXA Bank Europe provides insight below in the so-called exposures at default of a counterparty related to the trading room activity, both for derivatives and (reverse) repos. The regulatory definition is used that takes the nature of the instruments into account and simulates the exposure amount incase of a counterparty default. This exposure is used to calculate the risk-weighted assets and capital requirements.

(i) *Repo & Reverse Repo*

AXA Bank Europe had two counter parties for this activity on 31 December 2016. AXA Belgium and LCH Clearnet Ltd, the central counterparty for these transactions. On the AXA Belgium side (reverse repo) there is no exposure at default as AXA Bank Europe receives sufficient collateral to cover the exposure on AXA Belgium. On LCH Clearnet side (repo) there is exposure (51.9 million EUR) considering that LCH Clearnet requires additional collateral from all its members.

(ii) *Derivatives*

The regulatory method to determine exposure at default for derivatives counterparties includes the following steps:
a) Transactions are grouped in 'netting sets', in which it is legally possible to add positive and negative market values;
b) For each transaction a risk factor is determined, which reflects the possible negative evolution of the transaction value in case of counterparty default;
c) (a) and (b) are added to the collateral that is given to a counterparty (if (a) is negative) or received from a party (if (a) is positive). The outcome of this calculation gives the exposure at failure per counterparty.

The aggregated results as at 31 December are displayed step by step below.
a) The sum of all positive market values amounts to 4,816 million EUR. Of these positive market values amounts, 3,978 million EUR is neutralised by negative market values. AXA Bank Europe emphasises here that this neutralisation goes beyond purely accounting netting of balance sheet items that is discussed in chapter 33 based on legally enforceable netting rights. Chapter 34 elaborates on the nature of the collateral.

b) The sum of the risk factors amounts to 429 million EUR. To clarify: this is the regulatory prescribed calculation of a negative evolution of the derivatives portfolio at the simultaneous default by all counterparties in stressed market conditions.

c) In total, AXA Bank Europe pledged 1,338 million EUR collateral and received 805 million EUR collateral. When we look across all counter parties, and charge the collateral at a) and b), we arrive at a total exposure of 511 million EUR in stressed market conditions and at the simultaneous default by all counterparties. Under stable conditions, this exposure still amounts to EUR 174 million. It is important to note that EUR 139 million in these figures stems from the high collateral requirements of the central counterparty LCH Clearnet.

As AXA Bank Europe has very high standards regarding the quality of its counterparties, none of the (reverse) repos and derivatives are past due or impaired.

Concentration Risk

AXA Bank Europe follows the regulatory requirements regarding the limitation of large exposures, where the exposure to a group of affiliated counterparties may not exceed 25% of the eligible capital. Due to the diversification of counterparties, the exposure to AXA Group is the only exposure that exceeds 10%, but it remains signicantly below the limit, which indicates a low concentration risk.

4.2.2.3. Securitisation of Retail Credits

With its covered bond program, AXA Bank Europe wants to complement its traditional funding basis of retail deposits with another stable funding source. The strong underlying quality of the mortgage and promissory loans is the iedeal collateral for a covered bond program.
The bank launched its first covered bonds in November 2010. The covered bond program amounts to 4,150 million EUR in 2016 of which 3,400 million EUR remains on a consolidated level: 3,400 million EUR in the market and the 750 million EUR retained by AXA Bank Europe were eliminated in the consolidated balance sheet. AXA Banque France has subscribed 400 million EUR of these covered bonds.

4.3 Market Risk

For market risk, AXA Bank Europe differentiates between the market risk that is related to the ‘trading book’ (accounting classification), and interest rate risk related to the ‘banking book’. The trading book includes all financial instruments that are used in the context of specific trading activities. AXA Bank Europe does not carry out any trading activities for its own account. The financial instruments falling under the ‘trading book’ accounting classification, mainly concern the derivatives activity for AXA entities. The banking book includes all other financial instruments that do not belong to the trading book. These mainly concern the bank's retail business.

The Management Board of AXA Bank Europe is responsible for the management of market risk. However, day-to-day management is delegated to the ‘Assets & Liabilities Committee’ (ALCO) for interest rate risk concerning the banking book and to the ‘Wholesale Risk Committee’ (WRC) for the market risk concerning the trading book. In addition, ALCO and WRC evaluate the risk reports submitted by the AXA Bank Europe Risk Management Department. Finally, both committees also supervise compliance with the limits set out in the risk appetite framework.

4.3.1 Interest Rate Risk Banking Book

The interest rate risk in the banking book is defined as the risk of a decrease in economic value or the net interest income of the banking book as a result of changes in the market interest rates. It can be subdivided further into yield curve risk (also sometimes called gap risk), basic risk and risk through interest options.

At AXA Bank Europe, basic risk and risks due to interest options consist especially of mortgage loans with variable interest rates. The interest rates of these residential credits in Belgium are linked to the evolution of the OLO interest rates (‘Obligation Linéaire’/’Lineaire Obligatie’). As a result, changes in the spread between OLO interest rates and interbank or swap interest rates, give rise to changes in the value and income of the banking book (= basic risk). In addition, the maximum interest rates of these mortgage loans are limited to protect the client (= risk due to interest).

The interest rate risk for AXA Bank Europe and its subsidiaries is measured and managed at the AXA Bank Europe Head Office level. In this context, the ‘Assets & Liabilities Management’ (ALM) Department acts as first-line of defence and the Risk Management Department as a second autonomous line of defence.

The monthly ALCO follows some (internal and regulatory) indicators to check and steer the interest rate risk. Both the risk of a drop in economic value (= 'value approach' indicators) and the risk of a drop in interest income (= 'earnings approach' indicators) are monitored.

The following table lists the values for 2 internal indicators: the Bank SI ('Solvency Indicator') and the Bank NII ('Net Interest Income').
The absolute Bank SI gives the impact of a parallel rise in market interest rates by 1% on the economic value of the banking book. The relative Bank SI expresses this impact as a percentage of the regulatory capital.
The Bank NII gives the impact of a parallel rise in market interest rates by 1% on the interest result of the banking book. This indicator corresponds to a new definition developed in the course of 2016 and wasn't available at the end of 2015.

	Dec-15	Dec-16
Bank SI (absolute)	-343 million EUR	-241 million EUR
Bank SI (relative)	-33%	-22%
Bank NII		15.7 million EUR

4.3.2 Market Risk Trading Book

<u>Value at Risk</u>

AXA Bank Europe maintains a conservative approach of the trading book market risk. The trading activities of the bank are mainly derived from AXA Bank Europe's role as centralized platform to the derivatives markets for the AXA Group insurance entities. The market risk is strongly limited because all positions at AXA Group entities within the trading activities are mirrored by positions with external counterparties on a 'back-to-back' basis. The AXA Bank Europe market risk consists primarily of the interest rate risk. In addition, the equity risk arising from the issue of 'Euro Medium Term Notes' (EMTN) is immaterial, since AXA Bank Europe hedged this exposure in the financial markets. AXA Bank Europe is also not involved in the trading activity of commodities.

All these activities are closely followed up by the AXA Bank Europe Risk Management Department within a framework of very strict limits. The 'Value at Risk' (VaR) for all activities related to the trading book is limited to 2.17 million EUR. The VaR at a confidence level of 99.5% and a time horizon of 10 days is calculated on a daily basis using 5000 'Monte Carlo' simulations. The VaR for all trading book activities at the end of 2016 was equal to 1.36 million EUR and is therefore well within the specified limit. In addition, this result is representative of the entire 2016. Finally, this model is also subjected to appropriate annual back testing in order to preserve the accuracy and relevance of the model.

<u>Materiality Thresholds of the National Bank of Belgium</u>

The trading book was subject to materiality thresholds that have been introduced by the National Bank of Belgium (NBB) in 2015 in the framework of the new Belgian banks legislation. The 'Non Risk-Based Ratio' for AXA Bank Europe, which is based purely on volume, is well below the threshold defined by the NBB. The 'Risk-Based Ratio', which reflects the underlying risks, is also remarkably lower for AXA Bank Europe than the regulatory threshold. This can be explained by the limited market risk resulting in low Market Risk Weighted Assets.

Furthermore, the risk limit framework of AXA Bank Europe ensures that the VaR with a 99% confidence level and a holding period of 1 day 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 fluctuate due to changes in exchange rates. AXA Bank Europe operates a policy to minimise exposure to currency risk. Any material residual positions are hedged systematically. This risk was followed up and hedged on a monthly basis in ALCO in 2016. In addition, there is a capital charge for this risk when the total net position represents more than 2% of the equity. Finally, the currency risk in relation to the activities in Hungary disappeared with the completion of the sale of the Hungarian entity during 2016.

4.5 Liquidity Risk

The ‘Basel Committee on Banking Supervision’ (BCBS) defines the liquidity risk as the risk of not being able to quickly and easily increase the cash position to absorb shocks as a result of financial and economic stress.

In recent years, liquidity management was one of AXA Bank Europe's key priorities. This resulted in a suitable framework for liquidity risks, which is based on both regulatory and internal indicators. At the same time, the bank's liquidity contingency plan was adapted and the bank has set up a special task force which must intervene immediately and take the appropriate actions in case of systemic and idiosyncratic liquidity crises. This has led to a stronger awareness of liquidity risk at all management levels, as well as a more rigorous follow-up. Regular forward-looking projections of the main liquidity ratios support the active management of the liquidity risk within AXA Bank Europe.

AXA Bank Europe's strong liquidity position is reflected by a significant cash surplus, both in terms of regulatory Basel III-ratios and in terms of internal indicators. The internal indicators were brought in line with the AXA Group liquidity indicators, but adapted to the specific context of AXA Bank Europe. In addition, these internal stress indicators include both short term stress (one-month time frame) and long term (1 year time frame) that can occur today or tomorrow in our business plan.

AXA Bank Europe follows the Basel III liquidity indicators proactively. The LCR (‘Liquidity Coverage Ratio’) is binding since October 2015 and the NSFR (‘Net Stable Funding Ratio’) becomes binding in 2018. AXA Bank Europe has successfully adapted its strategy to meet these required indicators. For example, this strategy includes the bank's investment policy that is limited to quite liquid assets and attracting long-term stable funding. The main sources of stable funding are retail deposits (18.2 billion EUR at 31/12/2016) and covered bonds (3.4 billion at 31/12/2016). In view of the comfortable stock of liquid assets and a solid financing structure, the AXA Bank Europe LCR and NSFR clearly surpassed the minimum requirements by the end of 2016.

	12-2015	12-2016	Limit
LCR ratio (conso)	139%	169%	100%
NSFR (conso)	139%	139%	100%

<u>Maturity Analysis Graph (High Level)</u>

2016 (in EUR)	< 3 months	< 12 months	> 12 months	Total
Central Bank financing	200.000.000	0	150.000.000	350.000.000
Loans from financial customers	1.176.679.390	2.103.631	1.312.960	1.180.095.981
Unsecured funding (savings & current accounts of 'other financial corporates' + CIFP)	135.469.209	2.103.631	1.312.960	138.885.800
Repurchase Agreements	1.041.210.181	0	0	1.041.210.181
Secured loans	0	0	0	0
Retail funding:	15.965.513.425	354.063.197	1.900.823.301	18.220.399.924
Non maturing retail funding (savings and current accounts)	15.650.076.800	0	0	15.650.076.800
Maturing retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	315.436.626	354.063.197	1.900.823.301	2.570.323.124
AXA Group Financing:	102.463.221	7.247.765	698.974.714	808.685.700
Unsecured financing	98.574.422	0	0	98.574.422
EMTN	3.888.799	7.247.765	698.974.714	710.111.278
Other counterparties	3.300.425	1.000.000.000	2.413.035.409	3.416.335.834
Unsecured funding from non-financial customers	3.300.425	0	130.000	3.430.425
Covered bonds	0	1.000.000.000	2.412.905.409	3.412.905.409
Total	17.447.956.461	1.363.414.593	5.164.146.384	23.975.517.438

The fair value of derivatives is not included in this table since AXA Bank Europe doesn't consider these derivatives to be ‘funding’, considering the fact that they mostly form part of AXA Bank Europe's ‘back-to-back’ activities.

4.6 Operational Risk

Operational risk means: the risk of loss resulting from inadequate or missing internal processes, human error, or failing systems. A shortcoming or inadequacy can have both internal and external causes.

AXA Bank Europe applies the operational risk management framework that was developed by the AXA Group. This framework consists of an annual cycle that identifies, evaluates and quantifies the operational risks to which AXA Bank Europe can be exposed. This framework also includes a process to collect, aggregate and report data from incidents and losses in a continuous way. Remedial actions are taken for the greatest risks and losses; the ultimate objective is to mitigate the operational risk for the bank as a whole.

Just as in past years, there was also a major focus in 2016 on detecting and combating fraud and cyber risks (hacking, phishing and cyber-attacks). The cooperation with the other control lines (Audit, Compliance, Information Security) was further strengthened and more work was done on the 'risk awareness' throughout the entire organization (organisation of training courses for the different business lines, participation of the Operational Risk service in major projects and product launches). An 'operational risk dashboard' was also operated in 2016. This dashboard contains indicators for the main domains and potential sources of operational risk; these indicators as such fulfil an important signalling function towards AXA Bank Europe's management.

In 2017, the focus will be on structural formalising, implementing and following up of actions to mitigate the greatest risks and incidents. The 'Loss Data Collection' process will be further optimized and formalized to ensure uniformity and maturity throughout the organization. Work will also be done on the 'Operational Risk Framework' to clearly define the borders and the playing field for all services and processes in AXA Bank Europe.

4.7 Strategic Risk

Strategic risk is the risk that the main objectives of AXA Bank Europe (in terms of profitability, solvency, liquidity and creating value) may not be realized due to wrong decisions, inappropriate resource allocation or not responding correctly to changes in the environment. It refers to decisions that are needed to adapt to the external business environment, to improve the internal organisation or exploiting new strategic opportunities.
The strategic threats are tracked through annual strategic planning, financial planning processes, processes concerning the approval of products and management of strategic projects.
AXA Bank Europe continued to implement the transformation plan that it had announced in 2014, in 2016. This plan focuses on two core activities: retail in Belgium and Intermediation services that are exclusively offered to entities of the AXA Group.
The bank's strategic plan confirms AXA Bank Europe's positioning as a simple and low-risk bank. The goal is to achieve sustainable growth, strengthening structural profitability and a superior customer experience.

4.8 Capital Management

4.8.1 Management

The capital risk is the risk that the bank has or may have insufficient capital to cover the risks to which the bank is exposed.
In practice, this is translated into a cross-check of the capital base against the minimum regulatory capital requirements (Pillar 1) and the economic capital requirements (Pillar 2).

The capital base is carefully monitored by the 'Capital Management Committee' that forms a partial working group of the 'Asset & Liability Committee' (ALCO) and that reports to the ALCO on a periodic basis. The Committee oversees the new regulations ('regulatory watch'), follows up on the current and projected solvency ratios, anticipates and manages the economic and regulatory capital requirements.
The calculations for regulatory capital are reported to the supervisor (COREP) on a quarterly basis.
The bank reports the required economic capital to the supervisor in an annual ICAAP file ('Internal Capital Adequacy Assessment Process'). The ICAAP is the internal review process of the institution itself, which allows it to assess the adequacy of its capital in light of its risk profile and its organisation.

4.8.2 Regulatory Environment

The EU introduced stricter rules around capital requirements for banks in the aftermath of the financial crisis that are based on the Basel III accords. The requirements for banks are set out in the 'Capital Requirements Regulation' (CRR) and the 'Capital Requirements Directive' (CRD IV). The CRR/CRD IV was gradually introduced since 1 January 2014 and will be fully in force in 2019.
The minimum capital ratios (Pillar 1 requirements) which are to be met according to CRR/CRD IV are 4.5% for the core capital (CET1), 6.0% for the tier 1 capital ratio and 8.0% for the total capital ratio.
Besides the minimum own funds requirements of the CRR, AXA Bank Europe should also comply with the various buffers that can be imposed in accordance with CRD IV.

The CRD IV provides for a capital conservation buffer. In times of an economic boom, this can be up to 2.5%. The premise is to reserve additional capital in times of financial prosperity. In times of financial stress, the institution will be able to use this capital. The condition is then that the institution may not pay out a dividend to shareholders. This buffer applied to the bank in 2016.

AXA Bank Europe may also be obliged to build a counter-cyclical capital buffer representing an additional Core Tier 1 capital requirement. This buffer's aim is to protect the bank against risks arising from the financial cycle and can be up to 2.5%, possibly higher. This requirement came into effect in 2016.

The Belgian regulator has appointed AXA Bank Europe as O-SII or 'other system-relevant institution' and therefore subject to an additional Core Tier 1 capital requirement (O-SII buffer) of 0.75%. The introduction of this buffer is phased in over a period from 1 January 2016 until 1 January 2018. This means that an additional capital requirement of 0.25% was imposed on AXA Bank Europe in 2016, which will be increased by 0.25% in 2017 and again in 2018.

In addition to the Basel III capital requirements, AXA Bank Europe must also comply with the solvency ratio of Basel I, and this until December 2017. In other words, the capital that the bank must hold must at all times be greater than or equal to 80% of the total minimum amount of capital that the bank would be required to hold in accordance with the Basel I rules.

Following his 'Supervisory Review and Evaluation Process' review, (SREP), the competent supervisory authority (the European Central Bank for AXA Bank Europe) may impose higher minimum ratios (= Pillar 2 requirements), because, for example, not all risks are properly reflected in the regulatory Pillar 1-calculations.

4.8.3 Own Funds

The accounting core capital will be adjusted with:

- prudential filters, which exclude certain items of own funds, such as changes in the value of own credit risk and additional value adjustments in the context of prudent ratings;
- and other deductions, such as intangible fixed assets, the deferred tax assets which are based on future profitability, deficits in terms of provision of 'Internal Rating Based approach' (IRB). When IRB is applied to calculate the credit risk, the Tier 1 capital is corrected with a surplus or shortage of provisions in relation to the IRB estimate of the expected losses.

The reconciliation of the shareholders' accounting equity with the useful equity based on IFRS can be seen in the table below.

COMPOSITION OF USEFUL CAPITAL	**31/12/2016**	**31/12/2015**
(in '000 Eur)		
Paid in capital instruments	681.318	681.318
Reserves (including retained earnings)	266.141	239.864
Result of the current year	95.335	27.228
Other reserves	1.125	1.120
Accumulated other comprehensive income	47.915	134.175
ACCOUNTING CET1 CAPITAL	**1.091.835**	**1.083.706**
Prudential filters	(26.221)	(13.266)
Value adjustment of own credit risk	*(18.672)*	*(11.503)*
Value adjustment of prudent valuation	*(7.550)*	*(1.763)*
Deductions of CET1 capital	(71.919)	(180.088)
Regulatory adjustments accumulated other comprehensive income	(35.518)	*(137.814)*
Immaterial fixed assets	*(8.537)*	*(6.885)*
Deferred tax assets that rely on future profitability	*(11.073)*	*(13.584)*
IRB provison shortfall	*(16.791)*	*(21.806)*
USEFUL CAPITAL (CET1)	**993.695**	**890.352**

The CET1 amounts to 993.7 million EUR in 2016 versus 890.3 million EUR in 2015.

AXA Bank Europe is allowed to include the consolidated net profit for 2016 (EUR 95.3 million) in the Core Tier 1 capital. The evolution of CET1 is further determined by the movements in accumulated other comprehensive income and the value adjustments.

The total equity includes:

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

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS		**31/12/2016**	**31/12/2015**
CET1 capital		**993.695**	**890.352**
Additional Tier 1 capital		**90.000**	**90.000**
TIER 1		**1.083.695**	**980.352**
TIER 2		**21.202**	**57.781**
Subordinated debts		11.636	31.116
Perpetual subordinated debts		9.566	26.665
	Perpetuals	*15.943*	*38.093*
	perpetuals phase out	*(6.377)*	*(11.428)*
TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS		**1.104.897**	**1.038.133**

The total useful own funds evolves from EUR 1,038.1 million in 2015 to 1,104.9 million EUR in 2016

4.8.4 Risk Weighted Assets

The weighted risk volume is calculated according to the specific Basel calculation rules for weighted risks for which ABE has received approval. The bank uses the 'Internal Ratings Based' approach (IRB) to calculate the credit risk for the Belgian retail credit portfolio.
Consideration is also given to the decision of the NBB to use an 'add-on' of five percentage points on the risk weight for exposures to Belgian mortgage loans of banks that use the IRB approach.
The standardised approach (SA) is applied for other credit exposures and market risks. The requirement concerning the operational risk follows the BIA ('Basic Indicator Approach').

RISK WEIGHTED ASSETS	**31/12/2016**	**31/12/2015**
(in '000 EUR)		
Risk weighted assets for credit risk	3.733.507	3.949.383
Risk weighted assets for market risk	135.603	111.638
Risk weighted assets for operational risk	736.386	731.892
Risk exposure amount for credit valuation adjustment (CVA-risk)	86.709	98.074
TOTAL RISK WEIGHTED ASSETS	**4.692.204**	**4.890.987**

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 Capital Ratios

CAPITAL RATIOS	**31/12/2016**	**31/12/2015**
CET1 ratio	21,2%	18,2%
T1 ratio	23,1%	20,0%
CRD ratio	23,5%	21,2%
Fully loaded CET1 ratio	21,8%	20,6%
Fully loaded T1 ratio	23,7%	22,4%
Fully loaded total Capital ratio	23,9%	23,1%

The Common Equity T1, T1 and total capital ratio shall consider the transitional provisions of Basel III. The 'fully loaded' capital ratios assume a full implementation of Basel III.

AXA Bank Europe meets all minimum capital requirements imposed by Basel III. The bank also complies with the stricter percentages on Tier 1 capital imposed by SREP.

4.8.6 Leverage Ratio

The leverage ratio is a complementary measure within 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 become binding on 1 January 2018 but the guidelines of the BCBS ('Basel Committee on Banking Supervision') anticipate the disclosure of the leverage ratio and its components from 1 January 2015.

According to the current CRR legislation ('Delegated Act'), the AXA Bank Europe leverage ratio corresponds with the minimum benchmark of 3% and is equal to 4.1%. Fully loaded, the ratio is 4.2%.

LEVERAGE RATIO	31/12/2016	31/12/2015
Phase -in ratio	4,1%	3,4%
fully loaded ratio	4,2%	3,8%

5 Fair Value of Financial Assets and Liabilities

5.1 Fair Value - Retail Activities

For short-term assets and liabilities or at sight, AXA Bank Europe uses the book value as the best approach.
The fair value of the retail products is calculated in different steps:

- first, future cash flows are calculated based on product features (client's interest rate, payment frequency, etc.);
- these cash flows are subsequently adjusted for retail credits in order to take into account early repayments (2.5% on an annual basis for mortgage loans, 4% for investment credits, 10% on an annual basis for instalment loans);
- the calculation of the fair value, based on the Monte Carlo technique, includes the caps and floors embedded in floating mortgage loans. In this methodology, a group of interest rate scenarios are generated. The cash flows of the mortgage loans are simulated in each of these scenarios while taking into account the caps and 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 - Financing Activities (Treasury)

The financial instruments are subdivided into 3 categories.

The first category consists of financial instruments for which a fair value level 1 is determined based on market prices in an active market.

Visibility of an active market is generally clear with market information available to the public and investors. There is no clear line or minimum activity threshold that represents 'transactions regularly taking place on the market', such that the level of actual transactions must be assessed while 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. AXA Bank Europe uses information from Bloomberg, Markit and/or Interactive Data or provided by a reliable intermediary. These prices are then subject to an internal validation or are valued using internal rating techniques.

The use of observable input parameters results in a fair value level 2, while the use of unobservable input parameters leads to a fair value level 3, unless their influence is not significant. Observable inputs are developed using market data such as publicly available information about actual events or transactions, and reflect the assumptions market participants would use in setting the price of the instrument.

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

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

AXA Bank Europe uses a decision table in order to justify the level assigned to each class of instrument on the basis of these criteria.
A dedicated committee ensures a regular revision, at least once a year, of this decision table to ensure its accuracy and comprehensiveness. The dedicated committee is, at least, composed of the managers of the accounting policies (including CTFM) and the middle-office representing the business.

If, at level of this dedicated committee, there were still to be a disagreement over the fair value , the point would be escalated to the CFO of AXA Bank Europe for a decision on the level classification.

The second category includes the following elements:

Assets

Receivables from other bankers

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

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

Loans and receivables from clients

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

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 measured at fair value

Assets / Liabilities 2016.12 in '000 EUR	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
Trading assets	1.643.504	16	1.617.633	25.856
Financial assets designated at fair value through profit or loss				
Available-for-sale financial assets	4.304.987	4.297.280	978	6.730
Assets derivatives - hedge accounting	97.758		97.758	
Financial liabilities held for trading	1.104.317		1.096.959	7.358
Financial liabilities designated at fair value through profit or loss	1.484.385		1.007.492	476.892
Liablitities derivatives - hedge accounting	401.701		401.701	

Table FVAL.1

(1) Only applied if such valuation technique is based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

Assets / Liabilities 2015.12 in '000 EUR	Recognised or disclosed fair values	Fair Value detemined on the basis of stock market prices	Fair Value detemined on the basis of observable data other then stock market prices	Fair Value not detemined on the basis of market data
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
Assets derivatives - hedge accounting	126.126		126.126	
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
Liablitities derivatives - hedge accounting	544.533		544.533	

Table FVAL.2

(1) Only applied if such valuation technique is based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

See also chapter 33 Offsetting.

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:				
31.12.2016	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
Assets available for sale	6.731	0	0	0	-1	6.730
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	21.448	3.997	0	364	47	25.856
Financial liabilities held for trading	-392.504	-1.476	0	-113.140	22.871	-484.250
Total level 3 financial assets / liabilities	**-364.326**	**2.521**	**0**	**-112.776**	**22.917**	**-451.664**

Table FVAL.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 losses and

(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:				
31.12.2015	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
Assets available for sale	6.731	0	0	0	0	6.731
Financial assets at fair value with fair value through profit and loss	0	0	0	0	0	0
Financial assets held for trading	91.955	-71.768	0	1.261	0	21.448
Financial liabilities held for trading	-354.783	21.200	0	-58.922	0	-392.504
Total level 3 financial assets / liabilities	**-256.097**	**-50.568**	**0**	**-57.661**	**0**	**-364.326**

Table FVAL.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 losses and

(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

Financial assets held for sale for which the fair value is not based on the market value include shares that are recognised for their purchase price as the best estimate of the market value.

EMTNs issued by AXA Belgium Finance are financial liabilities held for trading purposes. Its fair value was determined on the basis of the ‘discounted cash flow’ method, where volatilities based on historical data were used as non-observable inputs. An increase (decrease) of 10% would lead to an increase (decrease) in fair value by 19.0 million EUR (2015: 18,0 million EUR).

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

FV 2016	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-3.515.075		
From Level 2 to Level 1			
From Level 3 to Level 2		1	-1
Delta compared to evolution Market Value	-19.471	906	
TOTAAL	-3.534.546	907	-1

FV 2015	Level 1	Level 2	Level 3
Purchase/Sale/repurchase	-950.416	-464.829	
From Level 2 to Level 1	568.412	-568.412	
From Level 3 to Level 2			
Delta compared to evolution Market Value	-10.000	45	
TOTAAL	-392.004	-1.033.196	

The evolution of financial assets and liabilities held for transaction purposes is mainly due to derivative transactions within the ‘hub’ activities of AXA Bank Europe (access to the market for the main insurance entities of the AXA Group).

Fair value hierarchy: financial instruments at amortised cost

Asset/Liability 2016.12 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
Loans & receivables	20.650.591	22.476.946			22.476.946
Debt securities					
Loans and advances	20.650.591	22.476.946			22.476.946
Held-to-maturity investments					
Debt securities					
Loans and advances					
Financial liabilities measured at amortised cost	23.400.741	23.566.539		3.597.950	19.968.589
Deposits	18.943.659	18.943.659			18.943.659
Debt securities issued	3.546.961	3.712.759		3.597.950	114.809
Other financial liabilities	910.121	910.121			910.121

Table.FVAL.7

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.

Fair value hierarchy: financial instruments at amortised cost

Asset/Liability 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
Loans & receivables	19.765.932	21.494.970			21.494.970
Debt securities					
Loans and advances	19.765.932	21.494.970			21.494.970
Held-to-maturity investments					
Debt securities					
Loans and advances					
Financial liabilities measured at amortised cost	25.549.158	25.743.637		3.399.040	22.344.597
Deposits	21.082.083	21.082.083			21.082.083
Debt securities issued	3.367.077	3.561.556		3.399.040	162.517
Other financial liabilities	1.099.998	1.099.998			1.099.998

Table.FVAL.8

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 Results

No day one results were recognised during the 2016 financial year.

5.4 Application of CVA and DVA on the Derivative Portfolio

Based on internal assessment by AXA Bank Europe, management believes that the impact of the application of CVA (Credit Value Adjustment) and DVA (Debit Value Adjustment) on the derivative portfolio amounted to gross CVA of 27.9 million EUR and gross DVA of 23.5 million EUR. The net impact (earnings) thus came to 4.4 million EUR (before tax).
IFRS 13 defines the concept of fair value. Concerning derivatives in particular, this standard requires integrating a measure of credit risk in the calculation of fair value through a CVA and a DVA. The CVA measures credit risk incurred by AXA Bank Europe on its counterpart while the DVA measures the credit risk incurred by the counterpart on AXA Bank Europe.

The CVA and DVA are calculated net by counterpart. The CVA (DVA) depends on the exposure at the closing date, the counterparty credit spread (AXA Bank Europe) 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 subpart 'current exposure' changes over time. For the first 10 days, it corresponds to the difference between the fair value of the positions on the closing date and the value of the collateral exchanged on that date. From the 11th day, this current exposure is replaced by the current maximum exposure as defined in the collateral contract (CSA Threshold and Minimum Transfer Amount) to which any initial margin paid/received is added at the closing date as well as any possible structural and important difference between the paid/received collateral and the valuations of AXA Bank Europe.

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 judgements are continuously tested and are based on past experience and other factors, including an acceptable assessment of future events based on currently known conditions.

Estimates and judgements take place primarily in the following areas:

- estimation of the realisable value for impairments on loans and receivables (see chapter 2.3), available for sale financial assets (see chapter 20) and property, plant and equipment and intangibles (see chapter 2.12)
- determination of the fair value of non-quoted financial instruments (see chapter 5)
- estimation of impairment for loan losses (see chapter 2.3)
- estimate of deferred tax assets (see chapters 2.11.3 and 16)
- valuation of CVA and DVA (see chapter 5.4)
- estimate of provisions for pension obligations (see chapter 13.2)
- estimate of current obligations resulting from past events when determining the level of provisions (see chapter 0)
- judgement on the classification of financial instruments (see chapters 2.2, 2.3, 2.4 and 2.7) and the mapping to the levels for determining the fair value (see chapter 5)
- estimation of the useful life for property, plant and equipment and intangible assets (see chapter 2.12).

7 Fee and Commission Income (Expenses)

Fee and commission income and expenses in '000 EUR	2016.12	2015.12
Fee and commission income		
Securities	20.057	16.146
Issued	18.169	13.658
Transfer orders	101	96
Other	1.787	2.391
Clearing and settlement		
Trust and fiduciary activities	977	1.019
Asset management		
Custody	977	1.019
Other fiduciary transactions		
Loan commitments		
Payment services	7.138	7.009
Structured finance		
Servicing fees from securitization activities		
Other	24.829	19.714
TOTAL	**53.001**	**43.888**
Fee and commission expenses		
Commissions to agents (acquisition costs)	32.267	26.805
Clearing, settlement and consignment	898	874
Other	9.276	8.294
TOTAL	**42.441**	**35.973**

Table FCIE.1

8 Realised Gains (Losses) on Financial Assets and Liabilities Not Measured at Fair Value through Profit or Loss

Net income from financial instruments not classified as fair value through profit or loss 2016.12 in '000 EUR	Net
Available-for-sale financial assets	261.089
Loans and receivables (including finance leases)	891
Held-to-maturity investments	
Financial liabilities measured at amortised cost	
Other	
TOTAL	261.980

Table GLNPL.1

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

Table GLNPL.2

9 Gains (Losses) on Financial Assets and Liabilities Designated at Fair Value through Profit and Loss

Net income from financial instruments designated at fair value 2016.12 in '000 EUR	Net	Amount of change in FV due to changes in the credit risk
Financial assets designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	2.705	3.147
TOTAL	2.705	3.147

Table GLFVPL.1

Net income from financial instruments designated at fair value 2015.12 in '000 EUR	Net	Amount of change in FV due to changes in the credit risk
Financial assets designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	44.550	38.818
TOTAL	44.550	38.818

Table GLFVPL.2

10 Gains (Losses) from Hedge Accounting

Net income from hedging activities 2016.12 in '000 EUR	*Net*
Fair value changes of the hedging instrument [including discontinuation]	-102.670
Fair value changes of the hedged item attributable to the hedged risk	-102.501
Ineffectiveness in profit or loss from cash flow hedges	-479
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	-205.650

Table GLHA.1

Net income from hedging activities 2015.12 in '000 EUR	*Net*
Fair value changes of the hedging instrument [including discontinuation]	126.885
Fair value changes of the hedged item attributable to the hedged risk	-147.404
Ineffectiveness in profit or loss from cash flow hedges	-24.126
Ineffectiveness in profit or loss from hedges of net investments in foreign operations	
TOTAL	-44.645

Table GLHA.2

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

11 Other Operating Net Income

Other operating income and expenses in '000 EUR	2016.12	2015.12
INCOME	33.382	30.904
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	33.382	30.904
EXPENSES	1.707	1.243
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	1.705	1.243
Other	1	
TOTAL	31.675	29.661

Table OONI.1

12 Operational 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 2016.12 in '000 EUR	*Total amount of future minimum lease payments under non-cancellable operating leases*	*Total amount of future minimum sublease payments expected to be received under non-cancellable subleases*	*Minimum lease payments recognized as expense*	*Contingent lease payments recognized as expense*	*Sublease payments recognized as expense*
For the lessee - residual maturity					
< 1 year	1.085		803		
> 1 year ≤ 5 year	1.759				
> 5 year	54				
TOTAAL NOMINAL AMOUNT	**2.898**		**803**		

Table OLA.1

Assets held under an operating lease as a lessee 2015.2 in '000 EUR	*Total amount of future minimum lease payments under non-cancellable operating leases*	*Total amount of future minimum sublease payments expected to be received under non-cancellable subleases*	*Minimum lease payments recognized as expense*	*Contingent lease payments recognized as expense*	*Sublease payments recognized as expense*
For the lessee - residual maturity					
< 1 year	875		1.091		
> 1 year ≤ 5 year	1.485				
> 5 year	55				
TOTAAL NOMINAL AMOUNT	**2.416**		**1.091**		

Table OLA.2

13 Personnel Expenses

13.1 Breakdown of Personnel Expenses

Employee benefits in '000 EUR	2016.12	2015.12
Wages and salaries	60.974	72.579
Social security charges	24.645	25.696
Pension and similar expenses	-49	960
Share based payments		
Other	6.851	7.954
TOTAL	92.421	107.190

Table PE.1

13.2 Pension Liabilities and Other Benefits

13.2.1 General Principles

13.2.1.1 Defined Benefit Plans

The measured plans represent the pension plans on the one hand and the medical benefits on the other related to hospitalisation cover after retirement.
AXA Bank Europe has set up 12 pension plans of which 7 are legally structured as defined contribution type plans.

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

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

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

For this pension type, the accounting methods used to measure the assets and liabilities are as follows:

- The defined benefit obligation is determined by projecting the guaranteed minimal reserve on the calculation date against the minimum guaranteed rate at the targeted pension date, and by discounting this based on the determined discount rate, taking into account mortality and leave assumptions.
- The fair value of the assets is determined based on the actual build-up of reserves (taking into account the amounts deposited and the actual returns on the calculation date).

On the other hand, AXA Bank Europe 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 Europe partially funds these employee benefits after retirement.

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

	2016	2015	2014	2013	2012
Discount rate	1,50%	2,30%	1,80%	3,40%	2,20%
Inflation rate	1,60%	1,60%	2,00%	2,00%	2,00%
Percentage of salry increase	2,60%	2,60%	3,00%	3,50%	3,50%

Table PE.2

Health care costs increase at an estimated 2% yearly.

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

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

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

Age	percentage
< 20 year	0,0%
20 year <= 24 year	8,0%
25 year <= 29 year	8,0%
30 year <= 34 year	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 PE.3

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

The discount rate is determined at the closing date from the AA corporate bond market rates in the Eurozone and depending on the duration and characteristics of the plans. The duration of the liabilities is about 11 years at the end of 2016 compared to about 13 years at the end of 2015.
A decrease of 0.5% in the discount rate would change the total DBO (defined benefit obligation) to +5.7% and service costs during the period of +5.3%.
An increase of 0.5% discount rate would reduce the total DBO by -5.1% and service costs during the period by -4.8%.
An increase of 0.5% in the inflation rate would change the total DBO by +3.3% and service costs during the period would increase by +4.5%.
An increase of 0.5% in the inflation rate for medical costs would give rise to an increase in total DBO of +0.4% and service costs during the period would increase by +0.6%.
An increase of 0.5% in salaries would increase the total DBO by 7.0% while service costs during the period would increase by +8.3%.

13.2.1.2 Variation Annual Pension Liabilities and Other Benefits

The annual change in the defined benefit obligation is calculated based on the following items:

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

13.2.2 Information Presented in the Balance Sheet

Information presented in the balance sheet for pension and other benefits shows the difference between the benefit obligation and the 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 balance sheet.

In addition, and in accordance with IAS 19 *Employee Benefits*, an asset class, called 'separate assets' is presented in the balance sheet. IFRS has 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, AXA Bank Europe recognises all actuarial gains and losses in a special line in other comprehensive income (OCI).

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

In addition to changes between the expected return from assets as mentioned above, IAS 19 requires the management of tax and social contributions applicable to pensions and healthcare in Belgium.

The table below shows the changes in the benefit obligation and changes in plan assets for pension plans and other benefits under the categories 'plan assets' and 'separate assets' at 31 December 2016.

(In '000 EUR)	12.2016	12.2015
Changes in the commitment		
Actuarial liability at the start of the period	145.792	161.060
Service cost	5.133	4.043
Interest on the actuarial liability	2.699	2.911
Employee contributions.	447	416
Modification, curtailment, (incl. acquisitions and disposals, etc.)		
Actuarial profits and losses due to changes to experience.	599	-2.899
Actuarial differences resulting from change in the hyp for Demographics		
Actuarial differences resulting from change in the hyp for Financials	17.511	-20.713
Benefits paid	-10.888	-9.284
Benefits paid directly by the employer.	-100	-94
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)	**161.193**	**145.792**
Evolution of Plan Assets hedging		
Fair value of assets at beginning of period	10.106	11.070
Implicit return on assets	187	188
Actual return on plan hedging assets, excluding the implicit return on assets	576	136
Employer contributions.	639	5
Employee contributions.	5	
Incoming (outgoing) transfers (incl. acquisitions and disposals)		
Benefits paid	-653	-1.292
Effect of exchange rate changes		
Fair value of assets at end of period (B)	**10.860**	**10.106**
Changes in Separate Assets		
Fair value of assets at beginning of period	91.908	82.649
Implicit return on assets	1.666	1.442
Actual return on plan hedging assets, excluding the implicit return on assets	1.548	1.838
Employer contributions.	6.183	2.583
Employee contributions.	442	411
Incoming (outgoing) transfers (incl. acquisitions and disposals)		
Benefits paid	-10.335	-8.086
Effect of exchange rate changes		
Recording off DC plans		11.069
Fair value of assets at end of period	**91.412**	**91.908**
Funding of liabilities		
Underfunded plans (plan by plan)	-150.333	-135.686
Overfunded plans (plan by plan)		
Unfunded commitments (B) - (A)	-150.333	-135.686
Unrecognised past service cost		
Cumulative impact of asset ceiling		
Liabilities recorded in the statement of financial position (excluding Separate Assets)		
Recognised assets		
Provisions recorded	-150.333	-135.686
Net position (excluding Separate Assets)	**-150.333**	**-135.686**
Net economic funding (including: Separate Assets)		
Net position (excluding Separate Assets)	-150.333	-135.686
Fair value of Separate Assets at end of period	91.412	91.908
Net economic funding (including: Separate Assets)	**-58.921**	**-43.778**

Table PE.4

This variation is mainly explained by changes in financial assumptions, the discount rate changed from 2.30% at the end of 2015 to 1.50% at end of 2016.

13.2.3 Annual Pension and Other Benefits Expense

Annual pension and other benefits expense recorded in the income statement (included in 'cost of pension obligations and other benefits') is presented below at 31 December 2016 and 31 December 2015:

(In '000 EUR)	12.2016	12.2015
Annual pension expense and other benefits		
Service cost	5.580	4.459
Curtailments and settlements		
Employee contributions	-447	-416
Interest on the actuarial liability	2.699	2.911
Implicit return on Plan assets/separate assets	-1.853	-1.630
Restrictions/settlement		-887
Total	**5.979**	**4.437**

Table PE.5

13.2.4 Evolution of the Provision on the Balance Sheet (Excluding Separate Assets)

Change in the provision recorded on the balance sheet between 1 January 2016 and 31 December 2016 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 on the balance sheet 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 cannot qualify as plan assets deducted from the commitments but represent reimbursement rights recognised as separate assets in accordance with the recommendations of IAS 19. 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 1 January 2016 and 31 December 2016 reflects the changes in the provision recognised in the accounts of AXA Bank Europe and the changes in separate assets.

(in '000 EUR)	12.2016	12.2015
Progression in the provision recorded in the statement of financial position at the start of the period	**-135.686**	**-149.990**
Annual pension expense and other benefits	-8.087	-6.295
Employer contributions.	639	5
Employer benefits	100	94
Benefits paid by Seperate Assets	10.235	7.992
Actuarial gain/losses recognised in Soci component	-17.534	23.748
DC plans		-11.239
Provisions presented in the statement of financial position at the end of the period	**-150.333**	**-135.686**
Fair value of separate assets at end of the period	91.412	91.908
Net economic funding for commitments at the end of the period	**-58.921**	**-43.778**

Table PE.6

13.2.5 Upcoming Outflows (Benefits Paid and Employer Contributions)

Estimated future benefit payments

Expected future benefits amounted to 1.5 million EUR for 2017 and 2 million EUR for 2018. These amounts may vary depending on differences between assumptions and reality in future years.

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 2017 for pension commitments is 6.2 million EUR. This amount may vary depending on differences between assumptions and reality in future years and represents contributions not directly related to the IFRS annual pension expense and other benefits.

13.2.6 Pension Assets

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

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

Regarding the existing Anhyp former regime, as of 1 July 1983, the funding vehicle is a pension fund. The financial assets contribution to the pension fund at 31 December.2016 is 18% shares, 82% bonds.

13.3 Share-based Payments

13.3.1 General Principles

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.

13.3.2 Stock Options AXA SA

The group of Senior Executives can receive shares 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 third up to the fifth anniversary of the option allocation date.
For beneficiaries, the stock options granted have been unconditionally acquired for the first two tranches while the third tranche can be exercised if a performance condition for AXA shares is met when compared to the 'DowJones Europe Stoxx Insurance' benchmark index.

The following table provides an overview of current options.

2016.12	Options (in '000 EUR)	Average Price EUR
Outstanding at 1/1	405,0	
Allocations	0,0	
Capital increases	0,0	
Excercised	-4,5	13,99
Options expired and cancelled	-1,0	14,89
Movements within the Group	2,9	
Outstanding at 31.12	**402,4**	**18,92**

Table PE.7

2015.12	Options (in '000 EUR)	Average Price EUR
Outstanding at 1/1	559,7	
Allocations	31,2	22,90
Capital increases	0,0	
Exercised	-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 PE.8

The number of options in circulation and the number of options that can be exercised at 31 December 2016 are shown thereafter in accordance with the expiry date:

Date of Grant	Excercise Price	Outstanding	Exercisable
2006-03-31	27,75 €	86.097,00	86.097,00
2007-05-10	32,95 €	75.775,00	75.775,00
2008-04-01	21,00 €	37.947,00	37.947,00
2009-03-20	9,76 €	14.567,00	14.567,00
2010-03-19	15,43 €	16.968,00	16.968,00
2011-03-18	14,73 €	40.571,00	40.571,00
2012-03-16	12,22 €	25.500,00	25.500,00
2013-03-22	13,81 €	36.800,00	24.533,33
2014-03-24	18,68 €	36.960,00	12.320,00
2015-06-19	22,90 €	31.249,00	0,00

Table PE.9

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

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

13.3.3 Shareplan AXA SA

AXA gives its employees the option of becoming shareholders thanks to a special issue that is reserved for them. In the countries that meet legal and tax requirements, 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 15,53 EUR for the traditional plan (20% discount when compared to the reference price of 19,40 EUR calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and 17,73 EUR for the leverage plan (8,63% discount when compared to the reference price) during the past financial year. The AXA Bank Europe employees subscribed for an amount of 0.5 million EUR.

	2016		2015	
	Traditional	Leveraged	Traditional	Leveraged
Plan maturity (in years)	5	5	5	5
[A] Discount to face value	20.00%	8.63%	20.00%	8,57%
Reference price (in '000' EUR)	19,4	19,4	22,17	22,17
Subscription price (in '000' EUR)	15,53	17,73	17,74	20,27
Interest rate on employee loan	6,85%	7,26%	7,24%	7,60%
5-year risk-free rate (euro zone)	-0,07%	-0,07%	0,36%	0,36%
Dividend yield	7,18%	7,18%	6,59%	6,59
Early exit rate	2,63%	2,63%	1,20%	1,20%
Debit interest rate	-0,39%	-0,39%	-0,09%	-0,09%
Retail/institutional volatility spread	N/A	2,77%	N/A	2,39%
[B] Cost of the lock-up for the employee	18,72%	8,57%	19,68%	8,54%
[C] Opportunity gain	0,00%	1,91%	N/A	1,99%

Tableau PE.10

13.3.4 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+0 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 13.18 EUR per share on 16 March 2012 and an expected waiving of the rights of 5% is applied prior to their acquisition.

In march 2016 the AXA miles have been converted into AXA shares.

13.3.5 Performance Shares

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

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

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

14 General and Administrative Expenses

Other operating expenses in '000 EUR	2016.12	2015.12
Marketing expenses	8.794	9.048
Professional fees	44.228	44.569
IT expenses	5.076	4.911
Rents to pay or to receive	-1.656	-930
Other	106.990	82.033
TOTAL	163.432	139.631

Table GAE.1

Banking taxes

On 11 August 2016, the law of 3 August 2016 enacting the new regime for banking taxes was published in the Belgian Official Journal. The new regime simplifies the landscape by replacing the following 4 taxes and contributions by a single banking tax:

- subscription tax (annual tax on collective investment institutions, credit institutions and insurance institutions);
- subscription tax 'bis' (annual tax on credit institutions);
- contribution for the financial stability by Belgian banks to the Belgian resolution fund;
- deduction limitations in corporate tax (in relation to tax losses carried forward, dividends received and notional interest deduction).

The taxable basis for the banking tax is the arithmetic mean of the monthly amount of 'debt towards clients' in the Schema A reporting of the year preceding the tax year. For 2016 however it has been based on the amount of 'debt towards clients' as of 31 December 2015 (i.e. not on an arithmetic mean of the monthly amount) The tax rate at this moment is 0.13231% (the tax rate shall be adapted on a yearly base, based on new data concerning the taxable base and the target budgetary purposes). As such, the 2016 banking tax amounts to 54.8 million EUR for AXA Bank Europe.

Contribution to the Single Resolution Mechanism

The Single Resolution Mechanism (SRM) is one of the pillars of the European Union's banking union. The SRM came into force on 19 August 2014 and is directly responsible for the resolution of the entities and groups directly supervised by the European Central Bank (ECB). The centralised decision making is built around the Single Resolution Board (SRB).
In 2016, the contributions are based on a combination of 2 guidelines:

- 60% in accordance with a target determined at national level (Belgian deposit guarantee system)
- 40% in accordance with a target determined at the Banking Union level

These percentages will gradually evolve during the next years to become 100% based on the Banking Union target by 2023.
The contributions to be paid by each institution are determined in proportion to its relative risk profile, based on a detailed calculation methodology. Of these contributions 1/8 of the 2015 payment to the national authority is deducted. As such, the 2016 contribution for AXA Bank Europe amounts to 13 million EUR.
Furthermore, in application of the EU regulations, the SRB has decided to accept that 15% of the 2016 payment obligation of institutions may take the form of irrevocable payment commitments (IPC's).
IPC's can be defined as an obligation on the part of credit institutions to pay their contributions in the future. The IPC's are mandatorily backed by a cash collateral for the same amount as the IPC's. The SRB is entitled to call for payment of the IPC by sending a notice to the credit institution.
Contrary to cash contributions, which are reflected in the profit and loss statement (P&L) upon their payment, the IPC's and the cash collateral are considered as contingent liabilities under IFRS. Contingent liabilities are not recognised on the balance sheet nor in the income statement, but – if the possibility of any outflow in settlement is not remote – they are disclosed.
As from the moment of providing the cash collateral to the SRB, the cash is transferred on the balance sheet from 'Cash and balances with central banks' to 'Other assets'.
As there are currently no indications that the SRB would call for cash payment (and so no present obligation), no provision has been set up.
AXA Bank Europe has used IPC's as payment of its 2016 contributions for an amount of 2 million EUR

15 Impairment

2016.12 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	1.096.040	39	46	37	255.707	70.973	19.327	3.026	
Central governments	236								
Credit institutions									
Non credit institutions	26.239		0	1	5.214	1.670	70	40	
Corporate	50.612	0	4	11	17.318	12.865	420	607	
Retail	1.018.953	38	42	26	233.174	56.439	18.836	2.379	
Bills & own acceptances									
Finance leases									
Securitized loans									
Consumer Credit	111.936				11.431		7.728		
Mortgage loans	882.106	5			215.107	39.856	9.480	2.179	
Term loans	14.797				2.726	7.382	1.415		
Current accounts	10.115	33	42	26	3.801	7.208	213		
Other					107	1.992			
Other financial assets									
TOTAL	**1.096.040**	**39**	**46**	**37**	**255.707**	**70.973**	**19.327**	**8.231**	

Allowances for incurred but not reported losses on financial assets Non specifically attributable collaterals							**7.286**		

Table IMP.1

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					23				
Quoted									
Unquoted but FV determinable					23				
Equity instruments at cost									
Debt instruments					23				
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 IMP.2

Overview of impairment 2016.12 in '000 EUR	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	47.184	34.338	12.846
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)	47.184	34.338	12.846
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	47.184	34.338	12.846
Interest income on impaired financial assets accrued in accordance with IAS 39			

Table IMP.3

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 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 IMP.4

Allowances movements for credit losses **2016.12** **in '000 EUR**	***Opening balance***	*Increases due to amounts set aside for estimated loan losses*	*Decreases due to amounts reversed for estimated loan losses during the period*	*Decreases due to amounts taken against allowances*	*Transfers between allowances*	*Other adjustments*	***Closing balance***
Specific allowances for individually assessed financial assets	-75.760	-20.424	3.826	20.671		714	-70.973
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-1.812	-480	90	486		46	-1.670
Corporate	-14.245	-3.702	693	3.747		643	-12.865
Retail	-59.703	-16.242	3.042	16.438		25	-56.439
Specific allowances for collectively assessed financial assets	-22.479	-2.245	5.398				-19.327
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-51	-19					-70
Corporate	-582	-49	211				-420
Retail	-21.846	-2.178	5.187				-18.836
Allowances for incurred but not reported losses on financial assets	-11.962	0	4.676				-7.286
TOTAL	**-110.201**	**-22.670**	**13.899**	**20.671**		**714**	**-97.586**

Tabel IMP.5

Allowances movements for credit losses **2015.12** **in '000 EUR**	***Opening balance***	*Increases due to amounts set aside for estimated loan losses*	*Decreases due to amounts reversed for estimated loan losses during the period*	*Decreases due to amounts taken against allowances*	*Transfers between allowances*	*Other adjustments*	***Closing balance***
Specific allowances for individually assessed financial assets	-198.787	-26.849	6.456	21.848		121.571	-75.761
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-1.623	-643	154	523		-224	-1.813
Corporate	-14.965	-5.048	1.214	4.108		445	-14.246
Retail	-182.199	-21.158	5.088	17.217		121.350	-59.702
Specific allowances for collectively assessed financial assets	-63.401	-4.811	897			44.835	-22.480
Central banks							
Central governments							
Credit institutions							
Non credit institutions	-106	-11	2,00			64	-51
Corporate	-558	-125	23,00			77	-583
Retail	-62.737	-4.675	872,00			44.694	-21.846
Allowances for incurred but not reported losses on financial assets	-28.133	-1.191	561			16.802	-11.961
TOTAL	**-290.321**	**-32.851**	**7.914**	**21.848**		**183.208**	**-110.202**

Table IMP.6

The amount recorded as ‘maximum credit exposure’ refers to the recorded book value except for loans and advances where the unused granted credit line margin has also been added.

Credit exposure 2016.12 in '000 EUR	*Maximum credit exposure*
Equity	7.804
Debt instruments	4.298.683
Loans & advances (balance)	20.650.591
Loans & advances (credit margin on credit lines)	1.065.007
Derivatives	1.739.763
Other	98.168
TOTAAL	**27.860.016**

Carrying amount of financial assets pledged as collateral for	4.474.130
Liabilities	2.966.594
Contingent liabilities	1.507.536

Table IMP.7

Credit exposure 2015.12 in '000 EUR	*Maximum credit exposure*
Equity	6.857
Debt instruments	7.831.770
Loans & advances (balance)	19.765.932
Loans & advances (credit margin on credit lines)	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 IMP.8

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

More details on collateral and guarantees received can be found in chapter 34.

16 Income Taxes

In the 2015 financial year, the taxable base did not result in any corporation tax owed. The total notional interest deduction (deduction for risk capital) of the current financial year, amounting to 8.7 million EUR, was used. It was nevertheless not possible to use (a part of) the stock accrued from previous financial years up to and including 2011. The limitation of transferability means the stock of transferable notional interest deduction is further reduced to 58.6 EUR: of which a maximum of 26.4 million EUR is still usable in 2018 (2019 tax year).
In contrast, the stock of transferred DBI reduction from the previous years (7.1 million EUR), as well as the DBI deduction of the current year (2.9 million EUR) could indeed be employed. No DBI deduction is transferred to next year.

Significant elements of the tax estimate:

- Accounting result based on Belgian accounting rules ('Belgian GAAP'): 69.4 million EUR (including result of the AXA Bank Hungary branch office)
- Rejected expenses: 2.2 million EUR
- Taxed reserves movements: 8.9 million EUR
- Taxed depreciations: -0.1 million EUR
- DBI deduction: 10.0 million EUR
- Deduction for risk capital: 8.7 million EUR
- Imputation of transferable fiscal losses: 37.5 million EUR

The positive accounting result of the AXA Bank Hungary branch did not give rise to a tax charge in Hungary at the end of 2016.

In its equity, AXA Bank Europe has tax-free reserves amounting to 213.1 million EUR (unchanged compared with 2015), on which no deferred tax amounting to 72.4 million EUR (unchanged compared with previous financial year) was calculated. If these reserves were paid out, these would be taxed. Provided the bank is a 'going concern', these reserves are required as part of the equity for the bank's business operations, and there is no intention to pay these out.

Based on the budget exercise over a five-year time horizon of AXA Bank Europe, with a margin concerning uncertainties in the assumptions used being taken into account, a deferred tax on the assets was included for a section of non-employed fiscal transferable losses (106.2 million EUR). AXA Bank Europe did not enter any deferred tax on the assets for the remaining section of the non-employed fiscal transferable losses (52.3 million EUR).

The limitation of the fiscal deduction for credit institutions in corporation tax (so-called Michel I tax – see chapter 14 – General and administrative expenses – 'Banking taxes'), as this entered into force during the course of 2015 and which could amount to a maximum of 11.9 million EUR for AXA Bank Europe in 2016, was ceased over the course of 2016 (within the scope of introducing a new annual tax on credit institutions to replace the existing annual taxes, the deduction-limiting measures in corporation tax and the special amounts for financial stability).

Reconciliation of statutory tax to effective tax 2016.12 in '000 EUR	*Net amount*	%
1. Tax expense using statutory rate	37.298	
1.1. Net profit before taxes	109.732	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	-4.034	
3. Tax impact of non taxable revenues	-8.586	
4. Tax impact of non tax deductible expenses	479	
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	-5.314	
10. Other increase (decrease) in statutory tax charge	-15.802	
11. Tax expense using effective rate	14.398	
11.1. Net profit before taxes	109.732	
11.2. Effective tax rate		13,12%

Table IT.1

Reconciliation of statutory tax to effective tax 2015.12 in '000 EUR	*Netto bedrag*	%
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 IT.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 Europe 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:

	31/12/2016	31/12/2016	31/12/2016
Analysis of deferred tax assets and liabilities	**Net deferred tax assets**	**Net deferred tax liabilities**	**Net deferred taxes**
Deferred taxes through result	112.247	84.882	27.365
Deferred taxes through revaluation reserve for financial assets available for sale	5.185	52.992	-47.807
Deferred taxes through cash flow hedge revaluation reserve	11.255	0	11.255
Deferred taxes through profit and losss on defined benefit plans	12.463	0	12.463
Deferred taxes on reserves for income through Stock Option Plan	0	579	-579
Total deferred taxes	141.150	138.453	2.697

Table IT.3

	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 IT.4

Income tax expense current and deffered in '000' EUR	2016.12	2015.12
Current income tax expense, net	7.743	2.405
Deferred tax expense, net	8.078	14.187
Total	15.821	16.592

Table IT.5

VAT BE0404.476.8358080

Deferred tax assets per expected date of utilization

31/12/2016	*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	3.943	3.721	5.078	10.984	12.384					36.110
Other deferred tax assets	15.048	715	704	614	31.318	8	189	56.444		105.040
TOTAL DTA	**18.991**	**4.436**	**5.782**	**11.598**	**43.702**	**8**	**189**	**56.444**	**0**	**141.150**

Table IT.6

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 IT.7

Deferred tax assets as on the last use date

31/12/2016	*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									36.110	36.110
Other deferred tax assets	11.268	13	2				181	5.004	88.572	105.040
TOTAL DTA	**11.268**	**13**	**2**	**0**	**0**	**0**	**181**	**5.004**	**124.682**	**141.150**

Table IT.8

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 IT.9

VAT BE0404.476.8358181

Deferred tax liabilities per expected date of utilization

31/12/2016	*Deferred tax liability-expected date of utilization 1 year*	*Deferred tax liability-expected date of utilization 2 year*	*Deferred tax liability-expected date of utilization 3 year*	*Deferred tax liability-expected date of utilization 4 year*	*Deferred tax liability-expected date of utilization 5 year*	*Deferred tax liability-expected date of utilization 6 year*	*Deferred tax liability-expected date of utilization Between 7 and 11 years*	*Deferred tax liability-expected date of utilization > 11 years*	*Deferred tax liability-expected date of utilization No date determined*	***TOTAL***
Other deferred tax liabilities	1.625	4.414	5.822	10.730	52.160	6.235	10.637	46.251	579	138.453
TOTAL DTL	**1.625**	**4.414**	**5.822**	**10.730**	**52.160**	**6.235**	**10.637**	**46.251**	**579**	**138.453**

Table IT.10

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 IT.11

Deferred tax liability as on the last use date

31/12/2016	*DTL last use date 1 year*	*DTL last use date 2 year*	*DTL last use date 3 year*	*DTL last use date 4 year*	*DTL last use date 5 year*	*DTL last use date 6 year*	*DTL last use date Between 7 and 11 years*	*DTL last use date > 11 years*	*DTL last use date No due date*	***TOTAL***
Other deferred tax liability	1.625	635	5.822	10.730	55.939	6.235	10.637	843	45.987	138.453
TOTAL DTL	**1.625**	**635**	**5.822**	**10.730**	**55.939**	**6.235**	**10.637**	**843**	**45.987**	**138.453**

Table IT.12

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
					55.939					
TOTAL DTL	**5.078**	**4.602**	**392**	**10.881**	**57.617**	**21.565**	**30.573**	**189**	**46.084**	**176.981**

Table IT.13

17 Cash and Balances with Central Banks

	2016.12 en '000 EUR	2015.12 en '000 EUR
Components of cash and cash equivalents		
On hand (cash)	57.389	62.342
Cash and balances with central banks	560.706	269.567
Loans and receivables	39.081	5.246
Available for sale assets		
TOTAL	657.176	337.155

Table CBCB.1

18 Financial Assets Held for Trading

Counterparty breakdown Carrying value in '000 EUR	2016.12	2015.12
Derivatives held for trading	1.642.004	1.554.504
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by	1.499	1.169
Central governments		
Credit institutions	1.488	1.169
Non credit institutions	3	
Corporate	8	
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	1.643.504	1.555.673

Table FATRA.1

19 Financial Assets Designated at Fair Value through Profit or Loss

Counterparty breakdown Carrying value in '000 EUR	2016.12	2015.12
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 FAFVPL.1

20 Available-for-sale Financial Assets

Counterparty breakdown 2016.12 in '000 EUR	Fair value of unimpaired assets	Fair value of impaired assets	Total net carrying amount	< Impairment >
Equity	7.781	23	7.804	11
Quoted	96		96	
Unquoted but FV determinable	978		978	
Equity instruments at cost	6.707	23	6.730	11
Debt instruments issued by	4.297.184		4.297.184	
Central governments	3.670.691		3.670.691	
Credit institutions	626.493		626.493	
Non credit institutions				
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	**4.304.965**	**23**	**4.304.988**	**11**

Table FAAVS.1

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 FAAVS.2

AXA Bank Europe has currently no investments in equity related funds and has a very small equity portfolio of 7.8 million EUR. These shares mainly represent for 6.7 million EUR participating interests in non-consolidated subsidiaries, such as Motor Finance Company N.V. and Beran N.V. (see chapter 25 Investments in associates, subsidiaries and joint ventures). In line with IAS 39 *Financial Instruments: Recognition and Measurement*, the shares have been measured at cost as they do not have a quoted price in an active market and because their fair value cannot be reliably measured. Furthermore AXA Bank Europe has also some participations in financial intermediary entities (such as Visa Belgium) for 1.0 million EUR. The General Shareholders meeting of Visa Belgium decided on 16 December 2016 to grant a dividend to the shareholders of Visa Belgium under the form of cash (AXA Bank Europe: 0.6 million EUR), shares (AXA Bank Europe: 0.5 million EUR) and a deferred payment until 2017 (AXA Bank Europe: 0.2 million EUR). These amounts were recognised as dividend in the income statement. Another amount (AXA Bank Europe: 0.9 million EUR) was not distributed. This amount has been booked as an unrealised gain on the share of Visa Belgium (through other comprehensive income, OCI). Lastly, AXA Bank Europe has a very immaterial amount (0.1 million EUR) investments in shares. In 2016, there were no other realised or unrealised gains or losses on available-for-sale equity instruments.

21 Loans and Receivables

Counterparty breakdown 2016.12 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	Average net carrying amount
Debts instruments issued by							
Central governments							
Credit institutions							
Non credit institutions							
Corporate							
Loans and receivables to	20.394.884	353.293	214.487	-70.973	-26.613	20.650.591	20.495.990
Central governments	677					677	508
Credit institutions	1.120.614					1.120.614	1.449.243
Non credit institutions	1.603.557	6.954	11.593	-1.670	-70	1.608.772	1.674.128
Corporate	867.559	30.603	14.218	-12.865	-420	884.877	863.851
Retail	16.802.478	315.736	188.676	-56.439	-26.123	17.035.652	16.508.260
Accrued income (if accounted for separately)							
TOTAL	**20.394.884**	**353.293**	**214.487**	**-70.973**	**-26.613**	**20.650.591**	**20.495.990**

Table LR.1

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	Average 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	24.079.826
Central governments	167					167	73
Credit institutions	1.265.904					1.265.904	1.847.101
Non credit institutions	1.673.968	5.120	10.143	-1.812	-51	1.677.225	5.121.299
Corporate	815.353	39.695	13.537	-14.245	-582	840.221	838.269
Retail	15.734.374	341.551	164.588	-59.703	-33.808	15.982.415	16.261.670
Accrued income (if accounted for separately)							
TOTAL	**19.489.767**	**386.367**	**188.268**	**-75.760**	**-34.441**	**19.765.932**	**24.079.826**

Table LR.2

Loans and receivables with maturity > 1 year:16,838 million EUR (2016) and 18,603 million EUR (2015).

Loans and receivables (excluding credit institutions) 2016.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		925.605		
Consumer Credit		3.606	4.217	823.906
Mortgage loans	413	61.028	763	15.851.063
Term loans	264	425.665	863.991	223.624
Current accounts		3.144	15.906	52.372
Other		189.725		84.687
TOTAL	677	1.608.773	884.877	17.035.652

Table LR.3

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 LR.4

22 Derivatives

Derivatives are understood to mean swaps, futures, forwards and options. The value of these contracts is calculated according to the case, based on the closing price, interest-rate level, exchange rate, rate of the underlying assets, implicit or historical volatility, expected dividends or the correlation between the different underlying instruments.

Within the scope of its banking activities, AXA Bank Europe uses the following derived financial instruments, classified based on the IFRS categories:

Far Value Hedge

1. Macro hedging of a part of the mortgages portfolio with fixed interest rate

   AXA Bank Europe uses interest-rate swaps to hedge the fair value fluctuations of the mortgages portfolio with fixed interest rate due to the evolution of the interest rate. AXA Bank Europe thus hedges the interest-rate risk between mortgages (long-term interest rate) and their financing (short-term interest rate).

   AXA Bank Europe has therefore set up a model of fair value hedge for a section of the mortgages portfolio with fixed interest rate. This model was first applied on 1 April 2015, but was adjusted in July 2009 in order to refine the modelling of the instrument hedged, and thus to enhance the efficiency of the hedge relationship.

   The efficiency of the hedge relationship is periodically examined using prospective and retrospective tests. If the model is efficient, the fluctuation of the fair value of the instrument hedged, namely the section of the mortgages portfolio with fixed interest rate included in the fair value hedge documentation, is included in the result, just like the fluctuation of the fair value of the derivatives concerned.

   Due to the significant volumes of refinancing and repayments established, AXA Bank Europe regularly checks whether any over-hedge is occurring. This check is performed by comparing the mortgage portfolio with fixed interest with the hedge-swaps portfolio, the respective volumes of which being classified for each interest level group and taking a commercial margin into account.

   Based on this check, an overhedge of a nominal amount of 72 million EUR has been observed at the end of 2016. Therefore, interest rate swaps for this amount have been closed early. This transaction has led to a realised loss of 21 million EUR, for the negative value of the swaps (replacing the outstanding unrealised loss at the early closure of the swaps). Simultaneously, a part of the accounting hedge reserve linked to these swaps has been transferred one shot to the profit and loss account, leading to a loss of 22 million EUR.

   Next to this, a series of additional swaps for a notional amount of 557 million EUR has been closed early in a proactive way and replaced by swaps at current market conditions in order to keep the interest rate position of AXA Bank Europe unchanged. This transaction has led to a realised loss of 36 million EUR compensated by a write-back of the fair value correction for the same amount. The part of the hedging reserve linked to these swaps – 38 million EUR – has been amortised in the profit and loss account until the initial maturity date of the terminated swaps or the possible observation of an additional overhedge. The negative impact for 2016 is 3 million EUR.

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

   Existing fixed-rate securities of AXA Bank Europe's investment portfolio are individually hedged using an interest swap. In the event the efficiency of this fair value hedge can be demonstrated, the value fluctuation of the instrument hedged resulting from the evolution of the interest rate of the fixed-rate security is included in the result.

3. Micro Hedging of a Part of the Mortgages Portfolio with Floating Interest Rate

   AXA Bank Europe has purchased interest caps on the market in order to hedge the margin of the mortgages portfolio with floating interest rate. AXA Bank Europe hedges the risk of the fair value fluctuations of the caps in the mortgages that could be performed depending on the importance of the increase in the Euribor interest rate. This hedge occurs in the form of a dynamic portfolio hedge. This model is regularly analysed in order, if necessary, to add new hedge instruments to it, and to take the new mortgage allocations into account. A regression analysis on a quarterly basis provides an efficiency test of the model. This model has been applied since July 2010.

4. Micro Hedging of the Covered Bonds Issued by AXA Bank Europe SCF

   The covered bonds issued by AXA Bank Europe SCF are hedged by interest swaps within the scope of micro fair-value hedge. A regression analysis on a quarterly basis provides an efficiency test of the model. During the efficient periods, the fair value fluctuation of the covered bonds is entered in the result in accordance with the hedge of the interest risk.

5. Micro Hedge of Fixed-interest Securities Swapped Using Long-term Sale Contracts and Interest Swaps

   In order to establish a number of latent surplus values on certain lines of fixed-interest securities from the investment portfolio that have already been hedged by interest swaps, AXA Bank Europe has in addition concluded a series of long-term sale contracts of those securities, as well as receiver swaps with deferred departure date. These elements were documented in a micro hedge relationship of the total fair value of these securities.
   The entirety of these documented transactions expired in 2016.

Cash Flow Hedge

A hedge of latent surplus value on a part of the investment portfolio, the interest risk of which was not hedged by interest swaps, was terminated by concluding long-term sale contracts with maturity dates running up to 2017. This involves micro hedge relationships in the strict sense with the aim of safeguarding the cash flows received by AXA Bank Europe. These transactions have delivered a positive result of 21.6 million EUR in 2016 and an expected result in 2017 of 30.8 million EUR.

These transactions on fixed-interest securities are of a definite nature, provided the long-term selling entails non-optional contractual liabilities.

Fair Value Option

The EMTN issues, the performance swaps serving as hedge and the structured deposits or securities used as a means of transferring the saving funds concerned between AXA Belgium Finance and AXA Bank Europe are classified as fair value option, based on the principle of a close economic relationship between these transactions, and as far as possible to avoid any imbalance concerning recognising the results.

Freestanding Derivatives

1. Macro Hedge Transactions
   Within the scope of the additional hedge of the mortgages portfolio, and specifically mortgages with floating interest rate adjusted every five years, swaptions are used as macro hedge of the risk in the interest caps that are part of the mortgages involved.
   This category furthermore consists of old interest caps for which no hedge model was developed.

2. Trading Activity
   The trading portfolio, primarily resulting from AXA Bank Europe’s intermediation activity for the benefit of the insurance companies of the AXA group, consists of interest swaps, total return swaps, currency swaps of exchange-term contracts, swaptions and index options.

Derivatives – Held for Trading Purposes

By nature	By type 2016.12 in '000 EUR	Notional amount	Carrying amount Assets	Carrying amount Liabilities
Interest rate	Option / Cap / Floor / Collar / Swaption	7.305.535	354.450	21.178
	IRS	61.045.884	1.068.036	950.536
	FRA			
	Forward			
	Interest future	270.002		
	Other	665.799		
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other	7.235.778	115.165	10.229
Currency (FX)	FX forward	4.096.225	93.557	94.143
	FX future			
	Cross currency swap	329.866	10.796	28.231
	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		80.949.088	1.642.004	1.104.317

Table DHA.1

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

Tabel DHA.2

Derivatives – Hedging Activities (Micro Hedging)

By type of risk	By instrument 2016.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	89.564	57.853	4.858.500
	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		**89.564**	**57.853**	**4.858.500**
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		33.114	678.000
TOTAL			**33.114**	**678.000**
Hedges of a net investment in a foreign operation				
TOTAL		**89.564**	**90.967**	**5.536.500**

Table DHA.3

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

Table DHA.4

Derivatives - Hedging Activities (Macro Hedging)

Hedging of interest rate portfolio 2016.12 in '000 EUR	*Carrying amount Assets*	*Carrying amount Liabilities*	*Notional amount*
Fair value hedges	8.194	310.735	7.074.409
Cash flow hedges			

Table DHA.5

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			

Table DHA.6

See also chapter 33 Offsetting.

23 Property, Plant and Equipment

PPE measured after recognition using the revaluation model 2016.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	40.502	231	298	349	41.379
Additions	571		13	91	675
Acquisition through business combinations					
Disposals	-250				-250
Disposals through business combinations					
Depreciation	-1.913	-183	-32	-51	-2.179
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers	67				67
To and from non-current assets held for sale					
To and from investment property					
Other changes		9		114	123
Ending balance	**38.976**	**57**	**279**	**503**	**39.815**
Amortization financial year	1.913	183	32	51	-2.179
Amortization previous year	26.662	1.903	2.019	481	31.065
Cumulated Amortization	**28.575**	**2.086**	**2.051**	**532**	**33.244**

Table PPE.1

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 PPE.2

24 Intangible Fixed Assets

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

AXA Bank Europe launched an IT programme by the name of SWITCH in 2015. In April 2015, in consultation with AXA Group, AXA Bank Europe decided to transform the initial big-bang project approach into a multi-annual roadmap of different independent projects (Atlas, Loan Origination and Credit Scoring) with the same final objective of a radically simplified bank (architecture and retail business systems and processes) with lower costs structurally. The project costs associated with this for the year 2016 are a combination of costs related to project management, study phase and development phase. Based on the IFRS rules, an amount of 2.9 million EUR was capitalised in 2016 (Atlas 1.6 million EUR – Loan Origination 0.9 million EUR – Credit Scoring 0.4 million EUR).

Other intangible assets accounted for by using the revaluation model 2016.12 in '000 EUR	Goodwill	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance		6.886	0		0	6.885
Additions from internal development		3.848				3.848
Additions from separate acquisition						
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		-2.289	-104			-2.393
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		71	104	22		197
Ending balance		8.515	0	22		8.537
Amortization financial year		2.289	104			**2.393**
Amortization previous year		13.525	3.012		7	16.543
Cumulated Amortization		**15.814**	**3.116**		**7**	**18.937**

Table IFA.1

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 IFA.2

25 Investments in Associates, Subsidiaries and Joint Ventures

AXA Bank Europe has the following limited number of subsidiaries:

- AXA Belgium Finance bv (NL), Griekenweg 213 - 4835 NA Breda (Netherlands)
- AXA Bank Europe SCF (Société de Crédit Foncier), rue Carnot 203/205 - 94138 Fontenay-sous-Bois (France)
- Motor Finance Company N.V., Grotesteenweg 214 - 2600 Berchem (Belgium)
- Beran N.V., Grotesteenweg 214 - 2600 Berchem (Belgium).

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. 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 64 million EUR to the SPV.

There were no changes to the consolidation scope during the 2016 financial year.

Summarised financial information of subsidiaries and joint ventures	Entiteit 2016.12 in '000 EUR	*Accumulated equity interest (%)*	*Assets*	*Liabilities*	*Profit or loss*	*Reporting date*
	Accounted for by using full consolidation :					
	AXA Belgium Finance bv (NL)	100,00%	1.643.905	1.638.620	721	31/12/2015
	SPV Royal Street	10,00%	6.014.291	6.005.795		31/12/2015
	AXA BANK Europe SCF	100,00%	4.859.656	4.744.622	3.287	31/12/2015
	Entiteit 2016.12 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%	2.038	13	-17	31/12/2015
	Motor Finance Company N.V.	100,00%	10.043	6.128	-315	31/12/2015
	Bancontact-Mister Cash (voorheen Brand & Licence Cy)	20,00%	9.237	3.173	429	31/12/2015

Tabel IASJ.1

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

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.

26 Other Assets

Carrying amount in '000 EUR	2016.12	2015.12
Employee benefits	92.532	92.759
Servicing assets for servicing rights		
Prepaid charges	973	921
Accrued income (other than interest income from financial assets)	4.655	6.809
Precious metals, goods and commodities		
Other advances	46	46
Other	-38	1.099
TOTAL	**98.168**	**101.635**

Table OA.1

27 Financial Liabilities Held for Trading

Counterparty breakdown Carrying amount in '000 EUR	2016.12	2015.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	1.104.317	900.712
Short positions		57
In equity instruments		
In fixed income instruments		57
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	1.104.317	900.768

Table FLTRA.1

28 Financial Liabilities Designated at Fair Value through Profit or Loss

Debt certificates include EMTNs (European Medium-term Notes).. These EMTNs are issued by AXA Belgium Finance, a subsidiary of AXA Bank Europe. AXA Bank Europe has opted for valuation at fair value through profit or loss and has therefore included these issues in the balance sheet at their market value.

AXA Bank Europe has chosen to evaluate its own credit risk 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 the credit risk of AXA Bank Europe on the retail market. 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.

This fair value amounted to a total of 1,484 million EUR with a nominal amount of 4,923 million EUR on 31 December 2016.

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 3.2 million EUR of the fair value of the liabilities.

Counterparty breakdown 2016.12 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)	1.484.385	4.522	3.438.816
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1.484.385	4.522	3.438.816
Convertible			
Non-convertible	1.484.385	4.522	3.438.816
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**1.484.385**	**4.522**	**3.438.816**

Table FLFVPL.1

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 FLFVPL.2

29 Financial Liabilities Measured at Amortised Cost

29.1 Deposits

Counterparty breakdown 2016.12 in '000 EUR	*Central governments*	*Non credit institutions*	*Corporate*	*Retail*	*Total carrying amount*
Deposits from credit institutions					48.640
Current accounts / overnight deposits					2.511
Deposits with agreed maturity					46.130
Deposits redeemable at notice					
Other deposits					
Deposito's (andere dan van kredietinstellingen)	382.981	489.581	1.098.970	15.892.425	17.863.958
Current accounts / overnight deposits	26.974	262.598	838.973	1.914.492	3.043.037
Deposits with agreed maturity	5.065	130.340	51.373	1.584.292	1.771.070
Deposits redeemable at notice					
Other deposits	350.942	96.644	208.624	12.393.641	13.049.850
Special deposits					
Regulated deposits	942	51.854	103.671	12.392.332	12.548.800
Mortgages related deposits					
Other deposits	350.000	44.789	104.953	1.308	501.050
Deposit guarantee system					
Debt certificates (including bonds)					3.546.961
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					114.809
Convertible					
Non-convertible					114.809
Other					3.432.152
Subordinated liabilities					89.042
Other financial liabilities					910.121
Accrued expenses (if accounted for separately)					
TOTAL					**22.458.722**

Table FLAC.1

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 FLAC.2

29.2 Subordinated Liabilities

Maturity date 2016.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		46.351		
Current year +2		12.014		
Current year +3		4.129		
Current year +4		3.505		
Current year +5		2.911		
Current year +6				
Current year +7				
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		20.132		
TOTAL		**89.042**		

Table FLAC.3

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 FLAC.4

29.3 TLTRO-loans

AXA Bank Europe has subscribed to 150 million EUR of TLTRO-II loans with a 4-year term. The TLTROs are Eurosystem operations that provide financing to credit institutions for periods of up to 4 years. They offer long-term funding at attractive conditions to banks in order to further ease private sector credit conditions and stimulate bank lending to the real economy. The benefit of the below-market interest rate is accrued in the income statement over the life of the TLTRO-II. The outstanding TLTRO-I loans have been fully repaid.

30 Repos and Reverse Repos

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 : 2016.12 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		2.568			2.568
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		2.568			2.568

Table RRR.1

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 RRR.2

Transferor : Liabilities (financing obtained) 2016.12 in '000 EUR	Total
Repo	
Credit institutions	
Other than credit institutions	1.031.061
Total	1.031.061

Table RRR.3

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 RRR.4

Transferee : Assets (financing granted) 2016.12 in '000 EUR	*Total*
Reverse repo	
Credit institutions	
Other than credit institutions	925.605
Total	**925.605**

Table RRR.5

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

Table RRR.6

The inclusion of the repurchase agreements and reverse repurchase agreements occurs here for the paid amounts and received amounts, respectively.
See also Chapter 33.

31 Provisions

2016.12 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		34.544	154.708	318	19.436	209.006
Additions		949	3.156	9.854	6.893	20.853
Amounts used		-404	-8.176		-3.603	-12.183
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		4.470	15.492	-318	-4.151	15.493
Closing balance		39.559	165.180	9.854	18.575	233.169

Table PROV.1

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 PROV.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 2016 this provision has been set to zero.
Estimates vary as to the period of settlement of these disputes that are heterogenous and unpredictable at times.

Restructurings

The social liabilities are formed by liability of the company Anhyp for the fusion with Ippa, from which AXA Bank Europe arose. This involve individual arrangement running up to 2018 at latest, the most significant amounts of which were entered in the 2007-2008 period.

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 chapter 13.2 Pension liabilities and other 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 2016 financial year, new provisions of 2.7 million EUR and an allocation of the provision of 7.0 million EUR were established under the existing regulations at AXA Bank Europe. Therefore, on 31 December 2016, these provisions were 11.2 million EUR. 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 0.2 million EUR at 1 January 2016. In 2016, no provision was added. At 31 December 2016 an amount of 0.1 million EUR has been used.

Other provisions

The column ‘Other provisions’ includes mainly the provision for closure of the Hongarian branch (13.2 million EUR). ‘Other provisions’ also includes a provision for early departure of 4.2 million EUR in line with the expectations of management.

32 Other Liabilities

Carrying amount in '000 EUR	2016.12	2015.12
Employee benefits	-2.071	476
Social security charges	18.086	22.819
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	1.893	2.825
Income received in advance	1.389	1.641
Other debts	47.069	36.031
Other	-3.900	-14
TOTAL	62.466	63.778

Table OL.1

33 Offsetting

Offsetting in the Balance Sheet

IAS 32 – *Financial Instruments - Presentation* requires the presentation of financial assets and financial liabilities on a net basis when doing so reflects an entity's expected future cash flows from settling two or more separate financial instruments.
A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when, AXA Bank Europe

(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

To meet the criterion (a), AXA Bank Europe must currently have a legally enforceable right of set-off. This means that the right of set-off:

(a) must not be contingent on a future event; and
(b) must be legally enforceable in all of the following circumstances:

(i) the normal course of business;
(ii) the event of default; and
(iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

To meet criterion (b), AXA Bank Europe must intend either to settle on a net basis or to realise the asset and settle the liability simultaneously. Although AXA Bank Europe may have a right to settle net, it may still realise the asset and settle the liability separately.
AXA Bank Europe clears the positions on its OTC interest rate swaps daily with a number of intermediary banks:

- LCH Clearnet CM CSI (Credit Suisse)
- LCH Clearnet CM HSBC Bank Plc (HSBC)
- AXA LIFE EUROPE LTD (France FoS VA)
- AXA LIFE EUROPE LTD (GERMANY branch)
- AXA LIFE EUROPE LTD (MEDLA branch)
- AXA LIFE EUROPE LTD (UK FoS VA Bus)
- AXA LIFE EUROPE LTD (GMAB)
- AXA LIFE EUROPE LTD (JAPAN)

For each of the clearing members, the amounts cleared include:

- interest payments on the swap and all other payments (upfront fees, premiums, early termination amounts, …)
- variation margin evolutions, covering the changes in the positive/negative net value of all traded derivatives through the intermediary bank.

The clearing is performed separately for each currency. The calculation is made at the end of day, and the difference versus the previous day is settled net in one single cash payment on the following day, for each currency.
The netting of the derivatives position is legally enforceable and is not contingent on a future event, therefore meeting the IFRS requirements.
The amounts that have been netted in the balance sheet can be found in the first three figures columns in the tables below.

Repos and reverse repos are currently not subject to offsetting as they are currently not part of master netting agreements that allow for offsetting in all circumstances.

Offsetting in the Disclosures

IAS 32 requires that, in other circumstances than mentioned above, financial assets and financial liabilities should be presented separately from each other consistently with their characteristics as resources or obligations of the entity. Financial instrument transactions under a 'master netting arrangement' with a counterparty that only provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract do not provide a basis for offsetting unless both of the criteria above are satisfied.
At AXA Bank Europe, all transactions under master netting agreements not mentioned above are reported gross.

Furthermore, IFRS 7 – *Financial Instruments - Disclosures* requires disclosure of the following quantitative information:

- the amounts subject to an enforceable master netting agreement or similar agreement that are not offset,, including

- amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria of IAS 32
- amounts related to financial collateral (including cash collateral); and

- the net amount after deducting these amounts from the net amounts presented in the financial position.

AXA Bank Europe simulates this potential netting based on the following criteria:

- netting by counterparty
- of all repos, reverse repos derivatives and the related collaterals
- for derivatives: separately for hedging and trading positions
- collateral: initial and variation margin

The amounts of this potential netting can be found in the other figure columns in the tables below.

Financial assets – offsetting

Carrying amounts in '000 EUR 2016.12	Gross amounts before offsetting	Amounts set off against financial liabilities	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
Derivatives - trading	4.677.865	3.035.861	1.642.004	1.090.990	509.580	41.434
Derivatives - hedging	138.755	40.997	97.758	63.237	30.338	4.183
Reverse Repos	925.605	0	925.605	925.605	0	0
Total	5.742.225	3.076.858	2.665.367	2.079.832	539.918	45.617

Tableau OFFS.1

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2016.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
0						
Derivatives - trading	4.550.588	3.446.271	1.104.317	578.455	474.331	51.531
Derivatives - hedging	727.177	325.476	401.701	253.537	141.049	7.114
Repos	1.031.061	0	1.031.061	1.031.061	0	0
Total	6.308.826	3.771.747	2.537.079	1.863.053	615.380	58.645

Tableau OFFS.2

Financial assets – offsetting

Carrying amounts in '000 EUR 2015.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
Derivatives - trading	4.784.460	3.228.787	1.555.673	929.355	626.318	0
Derivatives - hedging	146.792	20.666	126.126	71.953	50.779	3.394
Reverse Repos	962.374	0	962.374	962.370	9	4
Total	5.893.626	3.249.453	2.644.173	1.963.678	677.106	3.398

Tableau OFFS.3

Financial liabilities - offsetting

Carrying amounts in '000 EUR 2015.12	Gross amounts before offsetting	Amounts set off against financial assets	Net amounts after offsetting	Amounts from master netting agreements - not set off: Financial instruments	Amounts from master netting agreements - not set off: Financial guarantees	Net position
Derivatives - trading	4.635.980	3.735.212	900.768	314.141	586.627	0
Derivatives - hedging	866.755	322.222	544.533	237.983	287.476	19.074
Repos	4.082.301	0	4.082.301	4.070.303	10.276	1.722
Total	9.585.036	4.057.434	5.527.602	4.622.427	884.379	20.796

Tableau OFFS.4

34 Contingent Assets and Liabilities

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2016.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.065.007	
Credit-replacing security	1.486.648	22.564.554
Collateral concerning repos, reverse repos and derivatives	1.870.561	2.881.340
Other obligations	2.988.894	3.313.422

Tableau CAL.1

CONTINGENT ASSETS AND LIABILITIES Reference amounts 2015.12 en '000 EUR	Provided	Received
Non-included section of the credit lines	1.051.391	158.238
Credit-replacing security	1.616.194	24.397.922
Collateral concerning repos, reverse repos and derivatives	6.007.831	2.172.645
Other obligations	1.229.813	3.100.819

Tableau CAL.2

Information regarding the most important lines:

The line ‘Non-included section of the credit lines’ contains the margin available on the credit lines involved. A credit line involved is the fixed liability for granting a credit line. The liability applies as fixed if it cannot be revoked at any moment with immediate effect.

The line ‘Credit-replacing security’ contains the securities received on loans and the securities provided relating to liabilities due to borrowing or due to deferred payment.

Given collateral on loans include the liabilities of the bank to retail clients. The risk is very limited because of diversification of the portfolio and mainly the fact that the granted loans are guaranteed by the clients.

Received collateral on loans are related to mortgage loans, consumer loans and professional loans.

Mortgage loans must be fully guaranteed by a mortgage (recording or mandate) on real property (full property). 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 applies to additional collateral securities. A mortgage mandate is usually drawn up for both the property to be purchased and the property to be sold in the case of a bridge loan.
For consumer loans only one type of guarantee is used: transfer of debt collection or act of relinquishment of wages and other income.

For professional loans the most important guarantees are the following:

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

- Personal or moral guarantees
  - Security
  - Mortgage mandate
  - Irrevocable commitment by a third party

Valuation of these guarantees:

- Mortgage and mortgage registration: valuation in function of

- The appraisal value of the property on the basis of a valuation report or updated valuation by a professional (such as a real estate expert, a notary or a broker), a recent purchase, based on knowledge of the property by the point of sale, etc.
- The rank of the subscription
- The voidability of the subscription because of a suspicious period in view of a bankruptcy
- Note: mortgage mandates are not booked

- Business asset pledge: valuation in function of
  - The importance and the marketability of the fixed asset
  - The size and distribution of receivables
  - The size of the inventory of non-perishable raw materials or finished products
  - The value of the rental property
  - Privileges of higher rank (lessor, equipment)
  - Transferability as a ‘going concern’
  - The rank of the subscription
  - The voidability of the subscription because of a suspicious period in view of a bankruptcy
  - The assessment of the administrator or liquidator

- Substitution in the privilege of the seller of movable property (including transfer of debts and transfer of pay): valuation in function of
  - The creditworthiness of the assigned debtor
  - Whether or not the character of the transferred claim is disputed

- Pledging of account balances: appreciation to 100% of the deposit

- Transfer of insurance policy rights: appreciation at 0%

- Personal or moral guarantees: valuation in function of the proven solvency of the security deposit (especially its real estate assets) or its determination to honour the commitment through a respected serious debt reduction plan.

The line ‘Collateral concerning repos, reverse repos and derivatives’ contains the assets provided and received by the bank within the scope of its ‘repo-reverse repo’ and derivatives activities, depending on the fluctuation of the market value of the transactions.

In the framework of the ‘Global Master Repurchase Agreement’ (GMRA), AXA Bank Europe only accepts government bonds. Since August 2007 however, AXA Bank Europe has concluded one GMRA with AXA IM in which she also accepted non-governmental paper, provided it qualifies as collateral by the ECB. Currently there are no open positions in this GMRA.

In the repo activity, a distinction can be made between 2 types of collateral:

- the collateral received when concluding a new deal, mostly Belgian (and sometimes French) government bonds.

- the collateral required during the term of the deals according to the fluctuation of the market value of the initially provided collateral. This additional collateral is mostly settled in cash (at Eonia interest rate) but sometimes in Belgian or French government bonds.

In derivatives activities, the general rule applies that collateral is systematically requested. Only cash (at Eonia interest rate) and Belgian, German, Italian, French, Swiss and UK government bonds with a residual term of minimum 1 year and maximum 10 years will be considered for this collateral.

All collateral received can be sold or reused by AXA Bank Europe as collateral.
AXA Bank Europe is obliged to return this collateral.

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

Encumbered Assets

Certain assets have been encumbered : securities given in repo, bonds given as collateral to the European Central Bank (ECB) for obtaining financing and bonds given as collateral to the Belgian tax authorities.

35 Equity

For figures see 'Consolidated balance sheet– equity'

The paid-in capital amounts to 681.3 million EUR and consists of 493,744,650 shares without making a reference to the nominal value. It was paid up in full.
The other capital equity instruments issued consist of Contingency Convertible Bonds.
The reserves from other comprehensive income include the reserves from the foreign currency translation, the revaluation of the available-for-sale financial assets, the revaluation of the cash flow hedges and the reserves for pension liabilities (non-realised results and actuarial gains and losses on defined benefit plans).
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 32 million EUR.

36 Profit Allocation and Dividends per Share

The Board of Directors proposes to transfer the statutory profit for the year, together with the retained earnings, to the next financial year, after allocation to the legal reserve. No dividends will be distributed.

37 Segmented Information

Operating segments are components of AXA Bank Europe

- that engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Management Committee of AXA Bank Europe to make decisions about resources to be allocated to the segments and assess their performance, and;
- for which discrete financial information is available.

The Management Committee of AXA Bank Europe is considered to be the chief operating decision maker as defined under IFRS 8 – Operating Segments.

The following operating segments are reported separately based on the guidelines of IFRS 8:

- Retail banking (including Treasury and ALM);
- Intermediation activities.

The retail banking activity consists mainly of collecting funding (daily operations, savings products) and providing loans to its customers (households, professionals and small businesses) through its network of independent agents. The reported figures include the related ALM results (Assets and Liabilities Management), whose main purpose is to manage the exposure of AXA Bank Europe to interest rate, liquidity and foreign exchange risks. The treasury activity consists of providing short term liquidity and funding as a support for the growth of the retail business.

The intermediation activities consist mainly of providing funding, cash management and derivatives for several AXA Group entities.

Transactions between the different operating segments are carried out on an arm's length basis.
The following principles are applied:

- allocation of ALM results: in addition to the commercial margin, AXA Bank 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;
- funds transfer pricing: the management of cash resources and ALM within AXA Bank Europe is centralised. With a view to transferring the interest rate risk of the commercial activities to the centralised ALM, the funds transfer pricing methodology is used. This means that deposits that are provided for safekeeping by the commercial business units are reinvested at the central ALM and that the loans allocated by the commercial business units are financed by the central ALM while using the funds transfer pricing interest rate.

The reconciliations between the total of the operating segments and the group result are mainly:

- differences in mapping between the segment reporting and the consolidated income statement;
- elements not included in operating income in the segment reporting;
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Europe rules).

Segment reporting – income statement

2016 in '000 EUR	'Retail banking (including Treasury and ALM)	Intermediation	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	306.985	17.172	37.615	361.772
Operating expenses	-225.335	-11.238	-29.592	-266.165
Impairments	-6.949		-5.897	-12.846
Taxes	-6.143	-175	-9503	-15.821
Underlying earnings	68.558	5.759	-7.377	66.940
Discontinued Operations				28.395
Net income				95.335

Tabel SI.1

2015 in '000 EUR	'Retail banking (including Treasury and ALM)	Intermediation	Reconciliation	Amounts consilidated financial account
Interest margin (incl. commissions and realized gains)	310.420	40.915	18.478	369.813
Operating expenses	-219.738	-13.422	-11.469	-244.629
Impairments	-19.562	0	-8.358	-27.920
Taxes	-6.570	-588	-9.434	-16.592
Underlying earnings	64.550	26.905	-10.783	80.672
Discontinued Operations				-53.444
Net income				27.228

Tabel SI.2

Major items reported in the column 'Reconciliation':

a) Interest margin

- difference in mapping between the segment reporting and the consolidated income statement (2016: 8.9 million EUR – 2015: -9.6 million EUR
- elements not included in underlying earnings in the segment reporting (2016: 31.4 million EUR – 2015: 35.9 million EUR, mainly forex results and fair value measurements)
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Europe rules) (2016: -3.6 million EUR – 2015: -9.9 million EUR, mainly due to a different starting date of a cash flow hedge (effect in 2015), and the revaluation of the working capital of the Hungarian branch (effect in 2015 and 2016))

b) Operating expenses:

- difference in mapping between the segment reporting and the consolidated income statement (2016: -3.4 million EUR – 2015: 6.4 million EUR)
- certain expenses that are not included in operating income in the segment reporting (2016: -25.0 million EUR – 2015: -15.3 million EUR)

c) Impairment on loans:

- differences in mapping between the segment reporting and the consolidated income statement (2016: -5.5 million EUR – 2015: -7.2 million EUR)

d) Taxes:

- elements not included in underlying earnings in the segment reporting (2016: -9.1 million EUR – 2015: -14.7 million EUR, tax effects on the elements not included in underlying earnings)
- differences between the valuation rules of the segment reporting (based on AXA Group rules) and the consolidated income statement (based on AXA Bank Europe rules) (2016: 1.0 million EUR – 2015: 4.7 million EUR, mainly due to the differed tax-es on the differences in valuation rules).

38 Related-party Transactions

Amounts to be paid and to be received from related parties 2016.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets	122.263	4.774		462	1.489.002
Shares					
Bonds					
Loans	122.263	4.774		462	1.489.002
Selected financial liabilities		264		349	865.595
Deposits		264		349	102.899
Issued securities					762.695
Notional amount of granted credit lines, financial guarantees and other guarantees		9.244			
Received credit lines, financial guarantees and other guarantees					
Notional amount of derivatives					36.245.861
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.1

Expenses and income resulting from transactions with related parties 2016.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received	2029				1.157.211
Interest paid	1				1.191.619
Dividends received					
Commission received	213				3.266
Commission paid					3.829
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.2

Amounts to be paid and to be received from related parties 2015.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Selected financial assets	120.363	4.913		606	2.180.574
Shares					
Bonds					
Loans	120.363	4.913		606	2.180.574
Selected financial liabilities		383		2.274	1.223.603
Deposits		383		2.274	385.838
Issued securities					837.765
Notional amount of granted credit lines, financial guarantees and other guarantees		10.744			
Received credit lines, financial guarantees and other guarantees					158.238
Notional amount of derivatives					33.556.299
Provisions for impairment on debt instruments, guarantees and commitments					

Table RPT.3

Expenses and income resulting from transactions with related parties 2015.12 in '000 EUR	Parent company	Subsidiaries and other entities of the same group	Participations and joint ventures	Key management personnel	Other related parties
Interest received	128				954.137
Interest paid					1.018.285
Dividends received					
Commission received					3.618
Commission paid					3.779
Income or (-) expenses on the sale of financial assets and liabilities not at fair value through profit or loss					
Income or (-) expenses on the sale of non-financial assets					
Expenses or (-) write-back of expenses during the current period concerning amortised debt instruments, guarantees and commitments					

Table RPT.4

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

- AXA SA as parent company of AXA Bank Europe;
- the subsidiaries of AXA Bank Europe, even those that are not included in the consolidation scope (see chapter 25)
- key management personnel of AXA Bank Europe

  As employees of AXA Bank Europe, the key management personnel benefit from the same employee benefits as other employees, without any extras. Discounts on AXA products (banking and insurance) and other client benefits offered by external companies are accessible to each employee on the intranet and are therefore also available to key management personnel. Consequently, no separate database regarding these persons is kept by AXA Bank Europe.

Key management Compensations in '000 EUR	2016.12	2015.12
Short-term employee benefits	2.442	3.454
Post-employment benefits		
Other long-term benefits	261	201
Termination benefits		
Share based payments	655	886
TOTAL	3.358	4.541

Table RPT.5

- other related parties, including fellow subsidiaries that are part of the AXA SA consolidation scope.

In addition, there is also the AXA Bank Europe pension fund. As at 31/12/2016, the defined benefit obligation amounts to 14.6 million EUR (13.7 million EUR at 31/12/2015) and the plan assets EUR 10.9 million EUR (10.1 million EUR at 31/12/2015).

The related parties of AXA Bank Europe do not include any parent company with joint control nor entities with significant influence over AXA Bank Europe.
All related party transactions are executed on an arm's length basis.

Further information on certain line items:

- 'Term loans' include the reverse repo transactions with AXA Belgium
- 'Equity instruments TRS' include the total return equity swaps in which AXA Bank Europe acts as an intermediary between AXA SA 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 immaterial.

The internal transfers to the agents network has been formally documented through an agreement. The resulting impact is, however, not material for the bank.

39 Government Grants and 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 2.3 million EUR and 0.2 million EUR

40 Financial Relationships with Auditors

Carrying amount in '000 EUR	2016.12	2015.12
	PWC	PWC
Remuneration of the auditors	454	515
Remuneration for exceptional activities or special commissions performed within the company by the auditors		
Other audit activities	*130*	*115*
Advisory activities		
Other activities outside audit activities	*0*	*0*
Remuneration of persons with wich the auditors: are connected to the excercise of a mandate on the level of the group of which the company that publishes the information at the head	69	52
Remunaration for exceptional or special commissions performed within the company by persins associated with the auditors		
Other audit activities	*6*	*8*
Taks advice	*0*	*0*
Other activities outsiede audit activities	2	8

Table FRWA.1

41 Discontinued Operations

The management of AXA Bank Europe has reached its target by completing the transfer of the Hungarian activities of the bank to OTP, the largest Hungarian bank. This sale constitutes the final step of the repositioning of AXA Bank Europe as a retail bank, 100% oriented to the Belgian market.

The sale to OTP covers all the Hungarian activities of AXA Bank Europe, including the credit and deposit portfolios and operational systems. In Belgium, the sale had no impact on employees. In Hungary, all the employment contracts were transferred to the buyer.

Compared to the provision at end 2015, the Hungarian activity generated a positive impact on the AXA Bank Europe's 2016 income statement.

Consolidated income statement in '000 EUR	2016.12	2015.12
Discontinued operations		
Financial & operating income and expenses	-31.481	41.567
Interest income	23.029	52.511
(Interest expense)	10.531	17.696
Expenses on share capital repayable in demand		
Dividend income		
Fee and commission income	4.667	6.513
(Fee and commission expenses)	3.246	1.807
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	7.644	319
Gains (losses) on financial assets and liabilities held for trading (net)	-53.865	61.132
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)		
Gains (losses) from hedge accounting		
Exchange differences, net	436	-89.804
Gains (losses) on derecognition of assets other than held for sale, net	-458	-26
Other operating net income	842	30.425
Administration costs	24.281	27.414
Depreciation	824	1.047
Provisions	-467	-109.485
Impairment losses on financial assets not measured at fair vaue through profit or loss	-83.359	98.614
Impairment losses on property, plant and equipment	266	
Impairment losses on financial assets not measured at fair vaue through profit or loss resulting to discontinued operations		76.808
Taks expense (income) related to profit or loss from discontinued opertions	-1.422	612
TOTAL PROFIT OR LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	28.396	-53.444

42 Events After the Balance Sheet Date

There have been no material events after the balance sheet date that would require adjustments to the 2016 IFRS Consolidated Financial Statements of AXA Bank Europe.

VAT BE0404.476.835121121

Board of Directors
Peter Devlies (since 2 March 2017)
Jef Van In, chairman (since 28 March 2017)
Sabine De Rycker
Françoise Gilles
Jeroen Ghysel
Marie-Cécile Plessix
Patrick Lemoine
Emmanuel Vercoustre
Marc Bellis (*)
Patrick Keusters (*)
Philippe Rucheton (*)
Frank Goossens (since 22 November 2016)

Jacques de Vaucleroy, chairman (until 30 June 2016)
Céline Dupont (until 13 July 2016)
Frank Koster (until 13 July 2016)

Management Committee
Peter Devlies, chairman (since 2 March 2017)
Sabine De Rycker
Françoise Gilles
Jeroen Ghysel
Emmanuel Vercoustre, chairman (since 27 July 2016 – until 2 March 2017)
Frank Goossens (since 22 November 2016)

Jef Van In, chairman (until 27 July 2016)
Céline Dupont (until 13 July 2016)

Audit Committee
Patrick Keusters, chairman (*) (since 4 February 2016)
Philippe Rucheton, (*)
Patrick Lemoine

Nomination Committee
Jef Van In, chairman (since 28 March 2017)
Marc Bellis (*)

Jacques de Vaucleroy, chairman (until 30 June 2016)
Frank Koster (until 13 July 2016)

Remuneration Committee
Jef Van In, chairman (since 28 March 2017)
Marc Bellis (*)

Jacques de Vaucleroy, chairman (until 30 June 2016)
Frank Koster (until 13 July 2016)

Risk Committee
Philippe Rucheton (*) (chairman)
Patrick Lemoine
Patrick Keusters (*) (since 1 January 2016)

Statutory Auditor
PwC, Auditors, bcvba, represented by Tom Meuleman (licenced auditor)

(*) independent director, according to art 526 Company Code

Free Translation

AXA BANK EUROPE NV

Statutory auditor's report to the general shareholders' meeting on the consolidated financial statements for the year ended 31 December 2016

6 April 2017

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 6 April 2017 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 OF THE COMPANY AXA BANK EUROPE NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, statement of changes in equity and cash flow statement 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 2016, 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 balance sheet amounts to EUR '000' 27.994.508 and the consolidated income statement shows a profit for the year of EUR '000' 95.335.

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 (IFRS) 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), as endorsed in Belgium. 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 balance sheet as at 31 December 2016 and of its consolidated income statement and its consolidated cash flow statement 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, 6 April 2017

The statutory auditor
PwC Bedrijfsrevisoren bcvba
represented by

Tom Meuleman
Accredited auditor