AXA Bank Europe

IFRS consolidated Financial statements 2014

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

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

Consolidated income statement

Consolidated income statement in '000 EUR	2014.12	2013.12	Disclosure
CONTINUING OPERATIONS			
Financial & operating income and expenses	381 138	323 530	
Interest income	2 191 959	2 409 068	
Cash & balances with central banks		628	
Financial assets held for trading (if accounted for separately)	1 358 565	1 559 721	
Financial assets designated at fair value through profit or loss (if accounted for separately)		592	
Available-for-sale financial assets	155 815	146 725	
Loans and receivables (including finance leases)	611 896	636 342	
Held-to-maturity investments			
Derivatives - Hedge accounting, interest rate risk	64 130	65 061	
Other assets	1 553		
(Interest expenses)	1 912 514	2 160 137	
Deposits from central banks			
Financial liabilities held for trading (if accounted for separately)	1 330 102	1 537 872	
Financial liabilities designated at fair value through profit or loss (if accounted for separately)	36 585	31 983	
Financial liabilities measured at amortised cost	348 671		
Deposits from credit institutions		1 415	
Deposits from non credit institutions		276 527	
Debt certificates		82 334	
Subordinated liabilities		14 877	
Other financial liabilities		21 410	
Derivatives - Hedge accounting, interest rate risk	197 156	193 719	
Other liabilities			
Expenses on share capital repayable on demand			
Dividend income		213	
Financial assets held for trading (if accounted for separately)			
Financial assets designated at fair value through profit or loss (if accounted for separately)		213	
Available-for-sale financial assets			
Fee and commission income	49 181	41 336	7
(Fee and commission expenses)	41 806	48 287	
Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net	107 482	109 975	8
Available-for-sale financial assets	96 447	108 568	
Loans and receivables (including finance leases)	11 035	1 407	
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
Gains (losses) on financial assets and liabilities held for trading (net)	66 547	-51 277	
Equity instruments and related derivatives	42 449	-3 615	
Interest rate instruments and related derivatives	30 982	-28 442	
Foreign exchange trading	-6 884	-19 300	
Credit risk instruments and related derivatives		80	
Commodities and related derivatives			
Other (including hybrid derivatives)			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss (net)	-51 415	-46 031	9
Gains (losses) from hedge accounting	-72 461	8 061	10
Exchange differences , net	16 992	34 319	
Gains (losses) on derecognition of assets other than held for sale, net	-4	24	
Other operating net income	27 175	26 265	11

Consolidated income statement in '000 EUR	2014.12	2013.12	Disclosure
Administration costs	266 706	282 333	
Personnel expenses	112 188	129 403	12
General and administrative expenses	154 517	152 930	13
Depreciation	5 154	7 317	
Property, Plant and Equipment	2 419	2 434	25
Investment Properties			
Intangible assets (other than goodwill)	2 735	4 883	24
Provisions	106 328	-6 894	
Impairment	54 128	61 728	20
Impairment losses on financial assets not measured at fair value through profit or loss	54 128	57 987	
Financial assets measured at cost (unquoted equity)			
Available for sale financial assets	-3 669	-2 364	
Loans and receivables (including finance leases)	57 797	60 352	
Held to maturity investments			
Impairment on		3 741	
Property, plant and equipment		133	
Investment properties			
Goodwill			
Intangible assets (other than goodwill)		3 607	
Investments in associates and joint ventures accounted for using the equity method			
Other			
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	-51 179	-20 954	
Tax expense (income) related to profit or loss from continuing operations	-3 029	-8 732	14
TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	-48 150	-12 223	
Total profit or loss after tax from discontinued operations			
TOTAL PROFIT OR LOSS AFTER TAX AND DISCONTINUED OPERATIONS AND BEFORE MINORITY INTEREST	-48 150	-12 223	
Profit or loss attributable to minority interest			
NET PROFIT OR LOSS	-48 150	-12 223	

Consolidated statement of realised and non-realised results in '000 EUR	2014.12	2013.12	
PROFIT (LOSS) FOR THE YEAR	-48 150	-12 223	
NON-REALISED RESULTS			
	-14 542	19 074	(3)
Actuarial gains (losses) on defined benefit pension plans	-22 030	28 886	
	7 488	-9 812	
Transferred to profit or loss	157 694	-20 876	
Foreign currency translation	-574	954	
Translation gains/losses taken to equity	-574	954	
Transferred to profit or loss			
Other reclassifications			
Cash flow hedges (effective portion)	1 376	10 900	(1)
Valuation gains/losses taken to equity	1 376	10 900	
Transferred to profit or loss			
Transferred to initial carrying amount of hedged items			
Other reclassifications			
Available-for-sale financial assets	237 630	-47 180	(2)
Valuation gains/losses taken to equity	282 081	-61 543	
Transferred to profit or loss	-44 451	14 363	
Other reclassifications			
Income tax relating to components of other non-realised results	-80 468	14 450	
TOTAL NON-REALISED RESULTS FOR THE YEAR	143 423	-1 712	
TOTAL REALISED AND NON-REALISED RESULTS FOR THE YEAR	95 272	-13 935	
Attributable to equity holders of the parent	95 272	-13 935	
Attributable to minority interest			

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	2014.12	2013.12
Gross	1,376	10,990
Tax	-468	- 3,735
Net (1)	909	7,254

Financial investments available for sale (2)	2014.12	2013.12
Gross	237,630	-47,180
Tax	-80,000	18,185
Net (2)	157,629	-28,995

Actuarial gains (losses) on defined bene-fit plans (3)	2014.12	2013.12
Gross	-22,030	28,886
Tax	7,488	-9,812
Net (3)	-14,542	19,074

Consolidated balance sheet

Consolidated Balance Sheet - Assets in '000 EUR	2014.12	2013.12	Annexes
Cash and balances with central banks	386 474	415 802	15 / 38
Financial assets held for trading	6 412 466	2 982 637	19 / 21
Financial assets designated at fair value through profit or loss		4 864	17
Available-for-sale financial assets	9 263 827	8 644 295	18
Loans and receivables	25 663 294	24 175 590	16
Held-to-maturity investments			
Derivatives - hedge accounting	172 059	187 109	21
Fair value changes of the hedged items in portfolio hedge of interest rate risk	595 688	260 861	
Tangible assets	45 779	45 753	
Property, Plant and Equipment	45 779	45 753	25
Investment property			
Intangible assets	5 447	7 840	
Goodwill			
Other intangible assets	5 447	7 840	24
Investments in associates, [subsidiaries] and joint ventures (accounted for using the equity method- including goodwill)			
Tax assets	4 721	65 715	
Current tax assets	5	11	14
Deferred tax assets	4 716	65 704	
Other assets	91 938	95 284	22
Non-current assets and disposal groups classified as held for sale			
TOTAL ASSETS	42 641 694	36 885 750	

Consolidated Balance Sheet - Liabilities in '000 EUR	2014.12	2013.12	Annexes
Financial liabilities held for trading	6 240 739	2 889 266	29
Financial liabilities designated at fair value through profit or loss	1 613 123	1 387 504	26
Financial liabilities measured at amortised cost	23 607 027	21 625 633	27
Deposits from Credit institutions	94 212	612 882	27
Deposits from Other than credit institutions	17 078 888	16 890 259	27
Debt certificates including bonds	3 288 697	2 955 117	27
Subordinated liabilities	168 667	250 003	27/28
Other financial liabilities	2 976 563	917 372	
Financial liabilities associated with transferred assets	8 375 103	9 259 728	41
Derivatives - hedge accounting	1 100 725	535 224	21
Fair value changes of the hedged items in a portfolio hedge of interest rate risk	147 501	100 502	
Provisions	329 137	201 131	31
Tax liabilities	39 620	33 843	
Current tax liabilities	28 879	30 236	14
Deferred tax liabilities	10 741	3 607	
Other liabilities	66 950	56 038	30
Liabilities included in disposal groups classified as held for sale			
Share capital repayable on demand (e.g. cooperative shares)			
TOTAL LIABILITIES	41 519 925	36 088 869	

Consolidated Balance Sheet - Equity in '000 EUR	2014.12	2013.12	Annexes
Share capital	681 318	546 318	
Paid in capital	681 318	546 318	
Called up share capital			
Share premium			
Other Equity	90 581		
Equity component of combined financial instruments	90 000		
Other	581		
Non-realised results	108 677	-34 746	
Tangible assets			
Intangible assets			
Hedge of net investments in foreign operations (effective portion)			
Foreign currency translation	2 693	3 267	
Cash flow hedges (effective portion)	-18 995	-19 903	
Available for sale financial assets	155 405	-2 224	
Non-current assets and disposal groups held for sale			
Other items	-30 427	-15 885	
Reserves (including retained earnings)	289 343	297 532	
<Treasury shares>			
Income from current year	-48 150	-12 223	
<Interim dividends>			
Minority interest			
Revaluation reserves and other valuation differences			
Other items			
TOTAL EQUITY	1 121 769	796 882	36
TOTAL LIABILITIES AND EQUITY	42 641 694	36 885 750	

Consolidated statement of changes in equity

Sources of equity changes 2014.12 in '000 EUR	Paid in Capital	Called up share capital	Share premium	Equity component of combined financial instruments	Other equity instruments	Reserves (including retained earnings)	(Treasury shares)	Income from current year	Interim dividends	Minority interests: Other items	TOTAL
Restated balance in accordance with IAS 8											
Effects of changes in accounting policies recognised in accordance with IAS 8											
Opening balance (last year)	546 318				-34 746	297 532		-12 223			796 882
Issuance and redemption of equity instruments				90 000							90 000
Issuance of Ordinary Shares											
Issuance of Preference Shares											
Issuance of Warrants for consideration											
Issuance of Options for Consideration											
Exercice of Options, Rights or Warrants											
Expiration of Options or Warrants											
Conversion of Debt to Equity											
Capital Reduction											
Allocation of profit											
Profit (Loss) Attributable to equity Holders of Parent								-48 150			-48 150
Issuance of Share Dividends											
Issuance of Non-Cash Dividends											
Issuance of Bonus Shares											
Cash Dividends Declared											
Interim Dividends											
Released to Retained Earnings											
Trading with treasury Shares											
Purchase of Treasury Shares											
Sale of Treasury Shares											
Transfers of Treasury Shares											
Cancellation of Treasury Shares											
Reclasifications											
Reclassification of Financial Instruments from Equity to Liability											
Reclassification of Financial Instruments from Liability to Equity											
Transfers (to) from Retained Earnings											
Transfers from Share Premium											
Other	135 000										135 000
Equity Increase (Decrease) Resulting from Business Combination											
Other Increase (Decrease) in Equity					144 004	-8 189		12 223			148 038
Closing balance (current year)	681 318			90 000	109 258	289 343		-48 150			1 121 770

Sources of equity changes 2013.12 in '000 EUR	*Paid in Capital*	*Called up share capital*	*Share premium*	*Equity component of combined financial instruments*	*Other equity instruments*	*Reserves (including retained earnings)*	*(Treasury shares)*	*Income from current year*	*Interim dividends*	*Minority interests: Other items*	TOTAL
Restated balance in accordance with IAS 8											
Effects of changes in accounting policies recognised in accordance with IAS 8											
Opening balance (last year)	546 318				-33 033	326 343		-23 377			**816 252**
Issuance and redemption of equity instruments											
Issuance of Ordinary Shares											
Issuance of Preference Shares											
Issuance of Warrants for consideration											
Issuance of Options for Consideration											
Exercice of Options, Rights or Warrants											
Expiration of Options or Warrants											
Conversion of Debt to Equity											
Capital Reduction											
Allocation of profit											
Profit (Loss) Attributable to equity Holders of Parent								-12 223			**-12 223**
Issuance of Share Dividends											
Issuance of Non-Cash Dividends											
Issuance of Bonus Shares											
Cash Dividends Declared											
Interim Dividends											
Released to Retained Earnings											
Trading with treasury Shares											
Purchase of Treasury Shares											
Sale of Treasury Shares											
Transfers of Treasury Shares											
Cancellation of Treasury Shares											
Reclasifications											
Reclassification of Financial Instruments from Equity to Liability											
Reclassification of Financial Instruments from Liability to Equity											
Transfers (to) from Retained Earnings											
Transfers from Share Premium											
Other											
Equity Increase (Decrease) Resulting from Business Combination											
Other Increase (Decrease) in Equity					-1 713	-28 811		23 377			**-7 147**
Closing balance (current year)	**546 318**				**-34 746**	**297 532**		**-12 223**			**796 882**

Consolidated cash flow statement

OPERATING ACTIVITIES	2014.12 in '000 EUR	2013.12 in '000 EUR
Net profit (loss)	-48 150	-12 223
Adjustments to reconcile net profit or loss to net cash provided by operating activities:	-3 602	-11 715
(Current and deferred tax income, recognised in income statement)		
Current and deferred tax expenses, recognised in income statement	-3 029	-8 732
Unrealised foreign currency gains and losses	-574	954
INVESTING AND FINANCING	165 611	
Depreciation	5 154	11 058
Impairment	54 128	
Provisions net	106 328	-6 894
OPERATING	-9 927	
Net unrealised gains (losses) from cash flow hedges		7 254
Net unrealised gains (losses) from available-for-sale investments		-28 995
Other adjustments	-9 927	13 640
Cash flows from operating profits before changes in operating assets and liabilities	103 931	-23 937
Increase (Decrease) in working capital (excl. cash & cash equivalents):	-397 418	-678 364
Increase (decrease) in operating assets (excl. cash & cash equivalents):	-5 447 885	1 335 545
Increase (decrease) in balances with central banks		
Increase (decrease) in loans and receivables	-1 545 502	305 995
Increase (decrease) in available-for-sale assets	-579 961	-902 078
Increase (decrease) in financial assets held for trading	-3 429 830	1 940 405
Increase (decrease) in financial assets designated at fair value through profit or loss	4 864	18 162
Increase (decrease) in asset-derivatives, hedge accounting	15 050	1 160
Increase (decrease) in non-current assets held for sale		
Increase (decrease) in other assets (definition balance sheet)	87 494	-28 099
Increase (decrease) in operating liabilities (excl. cash & cash equivalents):	5 050 467	-2 013 909
Increase (decrease) in deposits from credit institutions	-518 670	-573 410
Increase (decrease) in deposits (other than credit institutions)	19 961	-54 788
Increase (decrease) in debt certificates (including bonds)	502 247	-10 363
Increase (decrease) in financial liabilities held for trading	3 351 473	-1 932 715
Increase (decrease) in financial liabilities designated at fair value through profit or loss	225 619	325 162
Increase (decrease) in liability-derivatives, hedge accounting	278 581	-153 349
Increase (decrease) in other financial liabilities	1 174 566	387 851
Increase (decrease) in other liabilities (definition balance sheet)	16 689	-2 298
	-293 486	-702 302
Income taxes (paid) refunded	-1 794	-3 096
Net cash flow from operating activities	-295 280	-705 398

INVESTING ACTIVITIES	2014.12 in '000 EUR	2013.12 in '000 EUR
(Cash payments to acquire tangible assets)	-2 444	-1 127
Cash receipts from the sale of tangible assets		
(Cash payments to acquire intangible assets)	-341	-2 570
Net cash flow from investing activities	**-2 786**	**-3 697**

FINANCING ACTIVITIES	2014.12 in '000 EUR	2013.12 in '000 EUR
(Dividends paid)		
Cash proceeds from the issuance of subordinated liabilities		
(Cash repayments of subordinated liabilities)	-81 336	-104 342
Cash proceeds from issuing shares or other equity instruments	225 000	
Net cash flow from financing activities	**143 664**	**-104 342**
Effect of exchange rate changes on cash and cash equivalents		

	2014.12 in '000 EUR	2013.12 in '000 EUR
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-154 401**	**-813 437**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**540 876**	**1 354 312**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**386 474**	**540 876**
Components of cash and cash equivalents:		
On hand (cash)	72 434	76 916
Cash and balances with central banks	278 228	338 886
Loans and receivables	35 812	25 154
Available-for-sale assets		99 919
Total cash and cash equivalents at end of the period	**386 474**	**540 876**
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	2 191 959	2 409 068
Dividend income received		213
Interest expense paid	1 912 514	2 160 137

Cash flow from operating activities

The net outgoing cash flow of EUR 295 million is due to:

- The cash arising from the results for a sum of 104 million EUR.
- Company assets increased by 5,447 million EUR, which related particularly to loans and accounts receivable (1,546 million EUR) of which 921 million EUR was related to the increase in the reverse repo activities The assets available for sale rose by 580 million EUR. The financial trading assets increased by 3.430 million EUR.
- Business liabilities increased by 5,050 million EUR. We note a decrease in deposits of 519 million EUR. Deposits with non credit institutions have risen by EUR 502 million. Financial trading liabilities have increased by 3,351 million EUR. The increase of financial liabilities at fair value for an amount of 225 million EUR concerns the EMTN (European Medium Term Note) activity. The other financial liabilities increased by 1.175 million EUR.

Cash flow from investing activities

There is a negative cash flow of 3 million EUR due to investments in property, plant and equipment and intangible assets.

Cash flow from financing activities amounted to 144 million EUR from:

- Repayment of subordinated loans issued by AXA Bank Europe (-81 million EUR);
- A capital increase of (+135 million EUR);
- The issue of other equity instruments (+90 million EUR).

This resulted in a net decrease in cash and cash equivalents for a total amount of 154 million EUR.

Future cash flows

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

Notes to the consolidated financial statements

1 General

At December 31, 2014, AXA Bank Europe, a limited company under Belgian law, whose registered office is at 1170 Brussels, Boulevard du Souverain 25 was a subsidiary 100% owned by AXA SA.

The legal consolidation scope of AXA Bank Europe comprises the Belgian bank activities, the branch offices of AXA Bank Hungary, IT Centre Poland and the subsidiaries of Royal Street NV, AXA Belgium Finance B.V. and AXA Bank Europe SCF.

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 Basis of preparation

2.1 Consolidation principles

2.1.1 General

AXA Bank Europe currently only has subsidiaries, i.e., companies over which it exercises full control. Typically, all subsidiaries must be fully consolidated.

As a departure from this principle, AXA Bank Europe has decided, on the basis of the principles of relevance and immateriality, not to integrate the subsidiaries that are out of the consolidation scope for the application of the IFRS consolidated financial statements. This decision applies to subsidiaries whose total balance during the previous financial year constitutes less than 0.15% of the total balance for AXA Bank Europe, unless decided otherwise by the Board of Directors.

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

2.1.2 Intragroup entities purchase

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

2.2 Financial instruments - securities

2.2.1 Fixed income securities

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

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

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

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

(i) Assets at fair value held for trading

(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account;

(iii) Assets held to maturity;

(iv) Loans and receivables;

(v) Assets available for sale.

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

(i) Assets at fair value held for trading

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

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

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

For the determination of the net profits and net losses:

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

(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account

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

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

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

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

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

This indication is not possible :

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

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

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

For the determination of the net profits and net losses:

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

(iii) Assets held to maturity

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

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

(iv) Loans and receivables

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

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

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

(v) Assets available for sale.

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

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

The subsequent rating takes place as follows:

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

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

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

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

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

The following principles are applied:

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

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

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

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

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

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

2.2.2 Non-fixed income securities

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

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

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

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

(i) Assets at fair value held for trading;

(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account;

(iii) Assets available for sale.

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

(i) Assets at fair value held for trading

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

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

For the calculation of net profits and net losses:

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

(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account

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

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

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

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

- where the derivative(s) determined in a contract do not lead to a major change in cash flows, which would otherwise be required by the contract;
- where, after a swift or no analysis, when a similar hybrid (composed) instrument is considered for the first time, it is clear that the separation of the derivative(s) embedded in a contract is not permitted.

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

For the determination of the net profits and net losses:

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

(iii) Assets available for sale.

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

The subsequent rating takes place as follows:

- - For categories (i) and (ii) each change between fair value and cost is recognised in the income statement, where the fair value represents the quoted price or, if there is no quoted price, recent price valuations for similar securities or a rating technique.

For category (iii) the securities are valued at fair value, where any difference between fair value and cost is deferred in the Shareholders' equity.

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

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

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

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

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

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

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

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

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

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

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

2.3 Financial instruments – Loans and receivables

2.3.1 Performing loans and receivables

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

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

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

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

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

The accrued interests are recognised in the profit-and-loss account on the basis of the effective interest rate.

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

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

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

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

For the determination of the net profits and net losses:

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

2.3.2 Non-performing loans and receivables

From the time there is an objective indication of non-recoverability, the credit claim is subject to an impairment test.

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

Negative differences between the calculated recoverable amounts and the carrying amount are recognised in the profit-and-loss account 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 profit-and-loss account as interest yield.

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

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

After the impairment was recorded booked the interest yield is recognised in the profit-and-loss account on the basis of the actual interest of the underlying contracts.

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

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

The company combines collective and individual assessment.

Individual assessment is applied in two cases.

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

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

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

The company combines collective and individual assessment.

Individual assessment is applied in two cases.

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

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

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

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

The company combines collective and individual assessment.

Individual assessment is applied in two cases.

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

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

For the determination of the net profits and net losses:

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

2.4 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 profit-and-loss account by making use of the effective interest rate method.

Amortisation takes place on the due date.

2.4.2 Structured investments and structured deposits

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

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

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

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

In both cases, IAS 39 allows for the whole contract to be valued based on the fair value including the processing of value changes to the profit and loss account 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 profit and loss account 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 profit-and-loss account as a realised capital gains or loss.

2.4.3 Derivatives

Embedded derivatives

Derivatives embedded in basic contracts, which are valued at fair value and where the fair value differences are recognised in the profit-and-loss account, are not separated.

Other derivatives

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

Changes in fair value are recognised directly in the profit-and-loss account, except for hedge accounting (see 2.4.4).

2.4.4 Hedge accounting

The following types of hedges are possible:

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

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

- - 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 profit-and-loss account; The fair value change of the relevant derivatives are recognised directly in the profit-and-loss account.

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

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

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

  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 profit-and-loss account.

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 monies 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 monies received are recognised as borrowings with securities collateral.

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

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

Amortisation takes place on the due date.

2.4.6 Securities investments and borrowings

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

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

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

2.4.7 General

For the determination of the net profits and net losses:

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

2.5 Income from fee business and financial guarantees

2.5.1 Income from fee business

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

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

2.5.2 Financial guarantees provided

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

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

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

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

2.6 Equity

Equity components are assessed at cost.

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

Dividends are deducted from equity when they become due.

2.7 Financial liabilities and bank deposits

(i) financial liabilities measured at amortised cost;

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

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

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

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

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

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

For the determination of the net profits and net losses:

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

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

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

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

(ii) Assets considered as valued at fair value with value changes recognised in the profit-and-loss account

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

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

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

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

This indication is not possible :

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

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

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

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

For the determination of net profits and net losses:

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

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

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

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 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 profit-and-loss account as a realised capital gains or loss.

2.8 Foreign currency translation

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

2.8.1 Determination of the functional currency

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

2.8.2 Conversion of a functional currency into a presentation currency

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

2.8.3 Conversion of monetary components into functional currency

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

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

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

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

2.8.4 Conversion of non-monetary components into functional currency

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

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

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

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

b) For non-monetary components belonging to the valuation categories “assets and liabilities at fair value as a result of trading objectives” or “as a result of the taken option by the enterprise”, a regular revaluation of the fair value applies, which consists of two components: the fair value difference and the foreign exchange result. Both components are recognised in the income statement.

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

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

2.9 Contingent assets and liabilities

2.9.1 Contingent assets and liabilities

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

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

2.9.2 Provisions

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

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

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

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

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

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

2.10 Employee benefits

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

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

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

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

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

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

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

Assumptions and estimates are periodically revised and adjusted.

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

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

2.11 Income tax expense

2.11.1 Current taxes

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

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

2.11.2 Deferred taxes

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

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

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

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

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

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

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

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

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

2.11.3 Estimate of deferred taxes

- Estimate of deferred tax

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

- *Deferred tax through Other* Comprehensive *Income*

These tax assets are booked on:

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

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

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

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

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

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

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

2.12 Property, plant and equipment and Intangible assets

2.12.1 Property, plant and equipment

There is no capitalisation of tangible fixed assets secured under an operating lease and rental expenses are accounted for on a linear basis and included in the income statement profit-and-loss account 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:

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

2.12.2 Intangible fixed assets

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

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

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

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

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

(b) Intention to complete and use the intangible asset

(c) Capacity to use the intangible asset

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

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

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

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

- Research phase: activities aimed at obtaining new knowledge; ; the search for applications or research findings or other knowledge; the search for alternatives for materials, devices, products, processes, systems or services;formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.
- Development phase: the design, construction and testing of pre-production or pre-use prototypes and models; the design of tools, moulds and templates involving a new technology; the design, construction and operation of a pilot plant that is not built on an economically feasible scale for commercial production; the design, construction and testing of a chosen alternative for new or improved materials, devices, products, systems, processes or services.

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

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

Depreciation booked during the financial year:

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

2.13 Other assets and liabilities

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

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

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

2.14 Supplementary information

2.14.1 Events after the balance sheet date

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

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

2.14.2 Interim financial reporting

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

2.14.3 Changes in accounting policies and accounting estimates

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

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

Any change in the accounting policy must be applied retroactively.

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

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

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

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Description of classifications in IFRS:

- Assets and liabilities held for trading:

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

- Financial assets and liabilities at fair value (fair value option):

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

- Financial assets held to maturity:

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

- Loans and receivables

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

- Financial assets available for sale:

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

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

3 Application of IFRS by AXA Bank Europe

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

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

The following subsidiaries were not recognised in the consolidation circle during the financial year 2014 given their negligible significance (see more about this under item 2.1 with respect to consolidation principles).

- Motor Finance Company N.V.
- Beran NV

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

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.

Amendments to standards published and approved as of 1 January 2014

A package of five new and reviewed standards was published regarding the consolidated financial statements, participation in joint agreements and disclosure about interests in other entities on 12 May 2012. The European Union ratified these five standards in December 2012 and decided to defer the implementation date of 2013, made mandatory by the IASB, until 2014 where earlier application is still permitted. Therefore, the AXA Group has chosen 1 January 2014 as date of application.

IFRS 10 – Consolidated Financial Statements, replaces directives IAS 27 Consolidated and separate financial statements and SIC 12 – For special purpose entities, for which a single consolidation model based on the concept of control of power, was introduced for all entities, regardless of the nature of participation (*investee* - issuing entity). According to IFRS 10, we speak of controlling power when an investor:

- Has power over this participation;

- Is exposed to or has rights regarding changing revenue by virtue of its involvement in the participation;

- Can use its power over the participation to influence the amount of revenues.

However, the amended definition of participation, has no impact on the consolidation scope of the Groupe.

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27), published on 31 October 2012: makes provisions for entities that fall under the definition of an investment entity in the exemption of the consolidation requirements for subsidiaries under IFRS 10 - Consolidated Financial Statements. Under the amendments, investment entities value their investments in subsidiaries based on the effective value through the profit and loss account. At a higher level, however, the parent company of an investment entity must draw up consolidated financial statements for all entities that it controls including entities that it controls through an investment entity unless the parent company itself is an investment entity. The amendments, which shall apply to annual periods that start on or after 1 January 2014, shall have no impact upon the Group's consolidated annual accounts since this latter has no relationship with the investment entities.

IFRS 11 - Partnerships, introduces new requirements for operating partnerships and replaces IAS 31 - Interests in joint ventures. IFRS 11 removes the option of applying the proportional consolidation method when processing for entities where joint control is exercised and which focuses on the rights and liabilities of the arrangement rather than the legal form. The application of the Equity method, replacing the proportional

consolidation, has no impact on the consolidated financial statements of the Group, the latter having no agreement of this nature.

IFRS 12 – Disclosure of Interests in Other Entities, makes provisions for additional information for all forms of interests in other entities including partnerships, joint arrangements, entities set up for a special purpose and other instruments outside the balance sheet. Since the Group has interests solely in fully consolidated subsidiaries and the parent company is not an investment entity and there is no third party involvement, the comment of the provision of power control and the nature of the risks inherent in investments is clearly addressed in the existing comments. Moreover, the Group has no participation subject to major restrictions.

Amended IAS 27 - Separate Financial Statements, outlines the unchanged requirements that apply to separate financial statements. The other sections of IAS 27 have been replaced by IFRS 10. These amendments have no impact on the Group's consolidated financial statements.

— IAS 28 Investments in associates and joint ventures, incorporates the changes to take account of amendments made following the publication of IFRS 10, IFRS 11 and IFRS 12. These amendments have no impact on the Group's consolidated financial statements.

The amendments to IAS 32 - Financial Instruments: The presentation published December 16, 2011, clarifies the application of the offsetting rules. The amendments to IAS 32 specify that compensation of an asset or a financial liability resulting from actual compensation rights, is not conditional on a future event, and can be exercised by each of the counterparties, both in the normal course of activity course or during a default, insolvency or bankruptcy. Additional comments are made about the clearing process. The comments that have been introduced by this amendment clearly state that the rules are too strict (no legally binding right for both parties) to have to apply the offsetting to the Group, whether in relation to "master netting agreements" or centralisation of derivatives and repo operations with the *Central Clearing Party* (Part of central clearing).

The amendments to IAS 36, Recoverable amount disclosures for non-financial assets, published on 29 May 2013 concern the disclosure about the recoverable amount of assets subject to an exceptional value reduction when the recoverable amount is based on the fair value minus disposal costs. These amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2014. These amendments have no impact on the Group's consolidated financial statements due to the absence of any activity subject to such an impairment.

Limited amendments in IAS 39, Novation of derivatives and continuation of hedge accounting, published on 27 June 2013 offer exemption from the suspension of hedge accounting when the novation of a derivative designated as a hedging instrument meets certain criteria. The amendments in IAS 32 apply to annual periods that start on or after 1 January 2014. (since early adoption is permitted) and had no material impact on the Group's consolidated financial statements. The Group used the opportunity provided by the amendment to continue the current hedge accounting in case of novation resulting from the centralization of derivatives activities from a Central Clearing Party.

Published but not yet applicable standards, amendments and interpretations:

The amendment to IAS 19 - Employee Benefits, issued in November 2013 and applicable from the first year that begins July [1], 2014, concerns the contributions of workers or third parties to defined benefit retirement plans . If the contributions of workers or third parties are linked to years of service, the said contributions reduce pension costs as follows:

(a) if the amount of the contributions depends on the number of years of service, an entity shall,

in accounting for contributions to periods of service, use the same allocation methodology as that prescribed for the recognition of gross pay (i.e. either the regime's compensation formula, or the L Method (linear); or

(b) if the amount of the contributions does not depend on the number of years of service, the entity shall, resume those contributions as reduced pension expense over the period during which the benefits in question were provided.

This change will be applied from 1 January 2015.

IFRIC INTERPRETATION 10 – Taxes levied by a public authority, published May 20, 2013, specifies the levies imposed by any authority. This interpretation indicates that the activity, which according to the legislation concerned induces the "event generating the obligation".

In June 2014, the European Union ratified this interpretation, requiring its compulsory application to annual periods commencing on the date of 17 June 2014, with its early implementation also being authorised. Therefore, the AXA Group has chosen 1 January 2015 as date of application. We are currently reviewing the levies that may be affected by this interpretation (bank tax, etc.).

IFRIC 21 has no impact, thus we will not prepare an interim report.

The final version of IFRS 9 - Financial Instruments, which was issued July 24, 2014, includes the various components of the three phases.

The first phase concerns the classification and valuation of financial instruments. A first publication made November 12, 2009 introduced the rules for financial assets. It is within this framework that the required financial assets be classified on the basis of the economic model in which they are managed as well as the contractual cash flow characteristics of the financial asset. A second publication made October 28, 2010 introduced the rules for financial liabilities. Although most of the rules were included in IAS 39, new requirements were set forth if it was decided to value financial liabilities at current value with recognition of impairment in the income statement. In this case, changes in fair value due to credit risk fluctuations must be reversed in equity (under the item other comprehensive income). On 19 November 2013, it was communicated that this last rule could possibly be applied early. On 24 July 2014, a number of other amendments were published regarding financial assets which authorized the creation of a third category of evaluation for some simple debt securities, if the objective of the business model is to collect the contractual cash flows while being able to sell financial assets. In this category, changes in fair value are taken to equity (under Other comprehensive income).

The second phase, last published at May 24, 2014, regarding the application of a new methodology for calculating the specific impairments on financial assets and credit commitments ("impairment" or depreciation). In this methodology, the calculations are made using the expected credit losses rather than using the incurred credit losses. Furthermore, this methodology must be applied equally to credits and fixed income securities. Thus, from the first entry, the impairment in expected credit losses should be systematically recovered (after the first registration) as well as from the changes to the expected credit losses.

The third phase, published on 19 November 2013, for general rules on hedge accounting. The specific rules for open portfolios and macro- hedging are still at the draft stage. The requirements of the new rules for "hedge accounting" detail a more principled approach and are more in line with current risk management practices

Obviously, this IFRS will have a major impact on the Group's financial statements. In particular, the transition to the model of expected credit losses causes a profound change in the reporting of value adjustments on loans and fixed income securities. It is essentially the requirement to consider the lifetime expected credit losses in the event of significant increase in credit risk since the initial recovery - i.e. the credit losses expected over the life of debt (credit or fixed income) - rather than a period of one year during the initial recovery that should, in all likelihood, result in a major increase in the amount of specific impairments.

The Group has decided to start a detailed analysis of the implementation of IFRS 9 once there was official publication of the section addressing impairments. Since the publication of the July 24, 2014 has definitely closed the three phases, the IFRS 9 implementation project started at the beginning of 2015.

IFRS 14 - Regulatory Deferral Accounts published January 30, 2014 and effective from 1 January 2016, is only applied (optional) to entities that apply IFRS for the first time and therefore has no impact on the Group's consolidated financial statements.

IFRS 15 - Revenue from contracts with customers, published May 28, 2014 and applicable from 1 January 2017, consists of a five-step plan for determining when revenue should be recognized .

Step 1 = Identification of the contract(s) with a client

Step 2 = Identification of various separate performance obligations of the contract

Step 3 = Determination of the transaction price

Step 4 = Allocation of the transaction price to different performance obligations

Step 5 = Revenue Recognition once performance obligations are satisfied

We expect that this IFRS will have minimal impact on the Group's consolidated financial statements.

The following minor announcements were published as part of the annual improvement projects:

Changes to the 2010-2012 cycle (published in December 2013 and applicable for the Group as of 1 January 2015) will in all likelihood have minimal impact on the consolidated financial statements of the Group for 2015.

The following elements are included in this publication:

In IFRS 2 - Share Based Payments, the definitions for vesting and market conditions have been changed. Furthermore, new definitions concerning performance conditions and a service period condition are introduced.

In IFRS 3 - Business Combinations, clarifications are made and contingent consideration must be valued at fair value at the close of the reporting period. There is no impact on the Group's consolidated financial statements.

Clarification concerning comments relating to the criteria used for the merger of operational segments and reconciliation between assets of the segments and total assets are specified in IFRS 8 - Operating segments. There will be no impact on the Group's consolidated financial statements because the presentation of the assets of the segments is not required for it (none of the quantitative limits were reached).

It is specified in IFRS 13 - measurement of fair value that the changes to IFRS 9 and IAS 39 relating to receivables and short-term interest-free debt induce no change in the possibility of using the nominal value when the impact of discounting is insignificant.

Changes are made in the section revaluation model of IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets. There is no impact on the Group's consolidated financial statements due to the application of the valuation method at cost.

IAS 24 - Related party disclosures, clarifies that entities that provide essential services to the reporting entity or the parent of the reporting entity are related parties.

Changes to the 2011-2013 cycle (published in December 2013 and applicable for the Group as of 1 January 2015) will in all likelihood have minimal impact on the consolidated financial statements of the Group for 2015.

The following elements are included in this publication:

IFRS 1 - First-time adoption of IFRS, specifying what is meant by Effective IFRSs. There is no impact on the Group's consolidated financial statements.

IFRS 3 - Business combinations specifies that the establishment of a partnership in the annual accounts of the partnership is not part of the scope of application of IFRS 3.

There is no impact on the Group's consolidated financial statements.

IFRS 13 - measurement of fair value, specifies in Article 52 that the exception of Article 48 (portfolio exception) concerns all contracts within the scope of IFRS 9 and IAS 39 and not those who satisfy the definition of an asset or a financial liability.

IAS 40 - Investment Property, says that IFRS 3 and IAS 40 must be examined independently of each other to check whether an acquisition of a property falls under IFRS 3 or if it is a real estate investment. There is no impact on the Group's consolidated financial statements.

The following minor changes were published again in 2014 and shall take effect 1 January 2016:

Amendments to IFRS 11 - Partenerships, "Accounting for Acquisition of Interests in Joint Operations" (published May 6, 2014). These amendments have no impact on the Group's consolidated financial statements.

Amendments to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets, "Clarification of Acceptable Methods of Depreciation and Amortisation" (published May 12, 2014). We expect that these changes will have no impact on the Group's consolidated financial statements.

Modifications à l'IAS 16 – Property, plant and equipment, and to IAS 41 – agriculture, “Agriculture – Bearer Plants” (published 30 June 2014). These amendments have no impact on the Group's consolidated financial statements.

Amendments to IAS 27 - Separate Financial Statements, "Equity Method in Separate Financial Statements" (published August 18, 2014). These amendments have no impact on the Group's consolidated financial statements.

Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (published September 11, 2014). These amendments have no impact on the Group's consolidated financial statements.

Changes to the 2012-2014 cycle (published in September 2014 and effective from 1 January 2016). We foresee no impact on the Group's consolidated financial statements in 2016.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations clarifies when an entity reclassifies an asset held for sale as an asset held for distribution and vice versa while also providing cases in which it is necessary to stop the treatment as an asset held for distribution.

IFRS 7 Financial Instruments: Disclosures, provides additional information for determining whether a management contract represents continuing involvement in a transferred asset; it also provides details about the comments concerning offsetting in the abbreviated interim report.

IAS 19 - Employee Benefits, says that high-yield bonds used to estimate the discount rate for the compensation due after termination of service are to be denominated in the same currency as the transaction of compensation payable.

IAS 34 - Interim Financial Reporting, clarifies the meaning of "elsewhere in the financial reporting" and requires a referral.

4 Risk Management

4.1 General

In 2014, AXA Bank Europe continued to develop coherent and prudent risk management. AXA Bank Europe had to operate in 2014 against the difficult backdrop of a hesitant economic recovery combined with stricter regulation of the financial sector. AXA Bank Europe has adopted a number of strategic decisions and has continuously adapted risk management policy in order to stay on track in a constantly changing environment. Risk models were subjected to back-tests and updated where necessary, limits have been adjusted, and the indicators analysed and reporting adapted to the new Basel III regulations that have been gradually implemented since 2014.

Following the financial crisis, the Basel Committee considerably tightened solvency and liquidity requirements for banks. In terms of solvency, stricter rules are now applied for raising equity. We are witnessing a gradual increase of the minimum solvency requirements and the introduction of the minimum leverage ratio, which is the carry between Shareholders' equity (Tier 1) and the balance sheet total.
Basel III also introduces two new liquidity ratios: The Liquidity Coverage Ratio (1 month) and the Net Stable Funding Ratio (1 year)

In 2014, consultation was implemented on a regular basis with relevant controllers. The prudential supervision of AXA Bank Europe has been under the jurisdiction of the European supervisor since November 2014.

AXA Bank Europe participated in the ECB in-depth assessment exercise. The Asset Quality Review induced a limited adaptation of Tier 1 of 0.5%, from 15.2% to 14.7%.

AXA Group had anticipated the outcome of the strictest macroeconomic scenario of the ECB stress test by providing necessary capital such that AXA Bank Europe could meet the requirements of the comprehensive assessment of the ECB. AXA Bank Europe has thus been confirmed in its role as reliable partner on a sound financial footing for its 800,000 Belgian customers. Following the Tier 1 capital increase of 225 million euros (including the issue of a contigent convertible bond) in September 2014, AXA Bank Europe meets ECB requirements.
Two activities of the past have had a significant impact on the results: a portfolio of structured notes, managed in run-off since 2008 and in September 2014, and a portfolio of mortgage loans in Hungary managed in run-off since 2011.

Following Asset Quality Review 2014, the ECB drew up a list of recommendations to AXA Bank Europe. Most of the recommendations were closed in 2014. The remaining elements were finalized in 2015. The recommendations on methodologies applied by the bank in calculating CVA / DVA (Chapter 5.4), OIS discounting and provisioning of loans (Chapter 6) were all closed before the end of 2014 since their accounting impact was not significant. Most other recommendations concerned policy and procedures.

4.2 Risk appetite

The identification and quantification of permanent material risks of the Bank are central elements of the AXA Bank Europe's risk policy. These risks are measured, limited and subject to constant monitoring through the deployment of an internal risk appetite framework. In this context, the Bank's risk appetite is translated into functional coverage limits and procedures. The Board of Directors of AXA Bank Europe makes strategic risk decisions and also determines the overall risk appetite.

All the bank's material risks are covered through the process and are monitored by one of the risk committees of AXA Bank Europe . These risks are subject to an economic capital model with forecasts at different horizons. Economic capital is then allocated provisionally in respect to all activities of the Bank on the basis of the risk objectives of AXA Bank Europe. Moreover, the Bank plans its future regulatory solvency requirements over the horizon of the Bank's business plan. The projected solvency must fully take into account the introduction of new and existing regulations to meet regulatory solvency requirements outlined in the Basel III framework.

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

The following sections focus on the major categories of risk of AXA Bank Europe in 2014, i.e. credit, market, liquidity, operational and strategic risks. All these risks exert a potential impact on the Bank's objectives in terms of solvency, liquidity and profitability.

4.3 Credit risk

Credit risk is the risk of losses due to failure of performance or deteriortion of the credit quality of counter-parties in credit activities.

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

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

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

Regarding the guarantees obtained that reduce the portfolio's credit risk, see Chapter 20 Impairment charge for credit losses.

4.3.1 Retail credit risk

AXA Bank Europe's exposure to credit risk through its retail portfolio accounts in Belgium and its mortgage loans in Hungary.

Retail credit risk in Belgium

Risks related to AXA Bank Europe's retail loan portfolio in Belgium concern mortgages, consumer credits and business credits, with a preponderance for mortgage loans (with a share of nearly 85% of the total outstand-ing amounts).

The mortgage loan portfolio had a net growth of over 750 million euros backed by significant production and excellent quality (through risk policies implemented since early 2013) but offset by the refinancing wave observed on the Belgian market.
The credit portfolio to independents shows stable volume.
As for the consumer loan portfolio, it has decreased by some 90 million related to insufficient production to offset the natural erosion of the portfolio. The lower production is mainly reflected in the (not for profit) loans due to tightening of acceptance criteria for this population in 2013 but whose effects were more pronounced in 2014.

Given good cover and low probability of default of this financing, the risk profile of the total credit portfolio is very low.
Credit losses totaled EUR 22.2 million euros in 2014, against 25.5 million EUR in 2013.

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

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

Retail credits are accepted on the basis of a set of acceptance standards and policy rules. The acquisition scoring models developed in the framework of Basel II play a supporting role here.

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

The percentage of failures at a one-year term:

- has remained stable for housing loans at 0.9% although the vintages of the new production have clearly increased. This element will be reflected in the future portfolio level if economic conditions remain unchanged.
-has fallen by 2.47% to 2.28% for loans to professionals and small businesses, reflecting the defensive approach of recent years.
-are up sharply by 2.16% to 1.65% for consumer credit, reflecting improved risk selection and product mix evolution towards affected profit loans.

Credit risk for Hungary

An important new law passed by the Hungarian Parliament 4 July 2014 implemented a retroactive correction in seller/buyer credit spreads applicable to foreign currency loans, and cancels unilateral adaptations to the interest rates and commissions by the banks. For the latter, banks have contested the rebuttable presumption that unilateral decisions on interest and fees must be regarded as unfair. However, the court did not follow the banks in their argument.
A bill submitted on 12 September 2014 to Parliament provides additional guidance on how to handle refunds and introduced some measures to specific groups of borrowers, including those who participated in the government's prepayment program at reduced rates, and for those who participated in the temporarily fixed exchange rate program (GRS2) subsequently launched by the government.
These additional guidlines have allowed banks to further assess the impact of new measures referred to above. The deadline for completing the individual calculations at the new client level and settling with these customers is planned for the month of March 2015. On that date, foreign currency loans should be converted to Forint-denominated loans at a predefined exchange rate. This conversion will reduce the credit risk on the portfolio by reducing customer exposure, and by reducing underlying exchange rate risks for the customer. AXA Bank Europe is covered in order to cope with this conversion, and the 2014 results are affected from it.

Management assessed the potential impact of this new legislation and made provisions of EUR 100 million to 31 December 2014 at the Hungarian branch.

The credit portfolio of the Hungarian subsidiary has been in run-off since 2011 and has been very strictly monitored sincebecause of vulnerability due to currency fluctuations and difficult market conditions.
As in previous years, management has focused on the development of measures to further reduce portfolio risk in 2014.
AXA Bank Europe was also able to settle various customer receivables with a positive result demonstrating the adequacy of its provisioning levels.

The total credit portfolio (gross) of the Hungarian subsidiary has decreased by 8.8% since December 2013 and still amounts to 1.041 billion euros at 31 December 2014.
In Hungary the NPL ratio has stabilized at 22.28% while the portfolio volume decreased, especially on performing loans. The provision rate rose to 16.52% (15.45% in 2013) and Net loss decreased to EUR - 16.8 million (EUR - 27.6 million in 2013) reflecting the structural portfolio improvements due to continued active portfolio management efforts which are reflected in other internal indicators. This loss has fallen to EUR 7.3 million thanks to hedging measures taken previously.

4.3.2 Non-retail credit and concentration risk

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

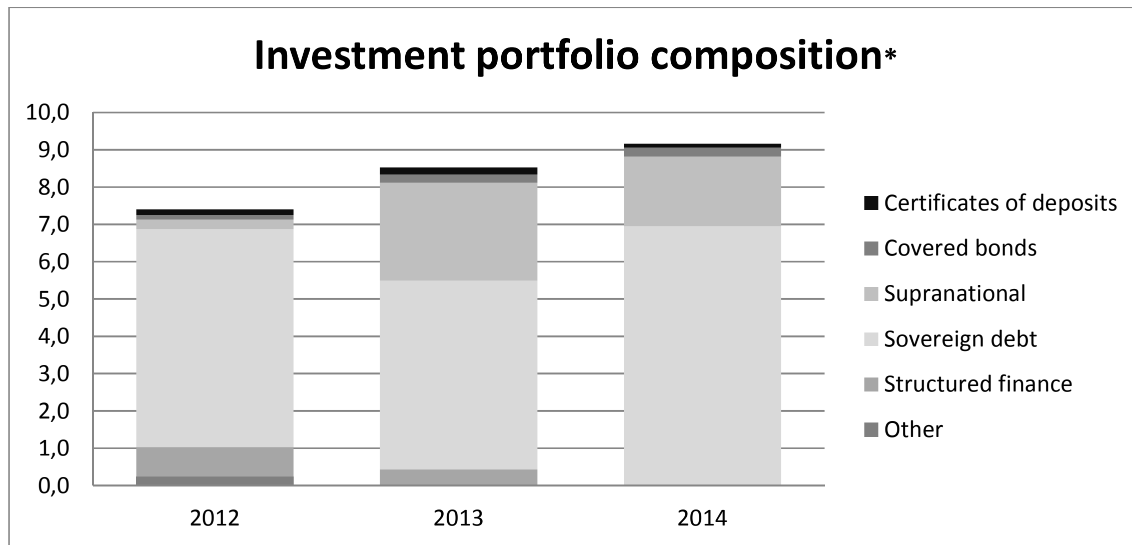
1) adequacy of securities for calculation of the liquidity coverage ratio (see chapter: Liquidity Risk). The AXA Bank Europe's investment policy is almost exclusively limited to the assets of the highest liquidity class as defined by Basel III (L1 and L2);

2) adequacy of securities for calculation of the solvency ratio.

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

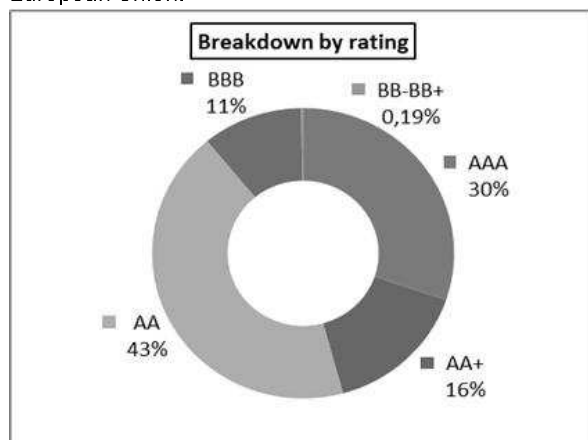
Investment portfolio

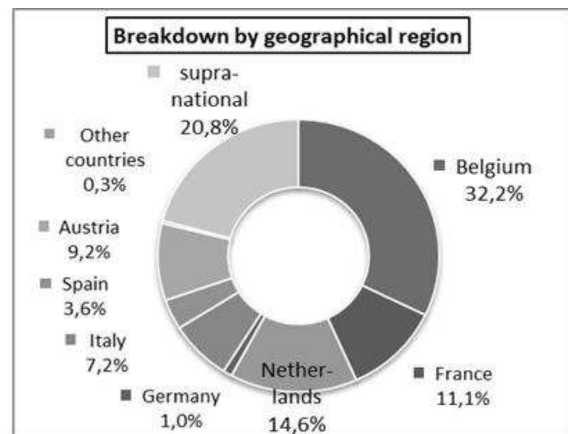
In 2014, the carrying value of the investment portfolio (including capital gains and losses not realized) increased, going from EUR 8.5bn to EUR 8.7bn. AXA Bank Europe continued to actively reduce its structured products and finally sold its entire remaining portfolio. AXA Bank Europe has also reduced its share of supranational European bonds (EFSF, EIB, etc.) from EUR 2.6 bn to EUR 1.7bn. In addition, AXA Bank Europe continued to invest in European government bonds, mainly of the Netherlands and Austria. The vast majority of investments of AXA Bank Europe consists of government bonds (76%) and supranational bonds (20%). All exposure to Central European bonds was sold (Slovenia, EUR 20 million).



* In EUR bn

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





AXA Bank Europe ensures close monitoring of its exposure to PIIGS countries. Exposure to Portugal (from EUR 51 million to EUR 16 million) and Spain (from EUR 356 million to 299 million) decreased mainly due to

the sale of the remaining structured products. Exposure to Italy increased (from 467 to 610 million EUR) through the purchase of government bonds despite the decrease in the portfolio construction.

Included is an overview of the PIIGS exposure accountancy as of 2014 December 31st, with a description of the investment types (in EUR):

Country	Type of Instrument	Market value <1Y	Market value >1Y	Total
Spain	Sovereign	94 961 450	202 439 250	297 400 700
Italy	Sovereign	269 764 500	342 210 250	611 974 750
Portugal	Sovereign	0	16 001 250	16 001 250

Credit risk of the investment portfolio

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

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

4.3.3 Securitisation of retail credits

With its policy of systematic securitisation, AXA Bank Europe aims to complement its traditional financing consisting of retail deposits with another stable source of funding. Securitization policy is ideally backed by high quality mortgage loans.
The bank launched a first issue in November 2010. End 2014, a total of EUR 3.150 million of covered bonds were placed in the market and EUR 750 million redeemed by AXA Bank Europe were then eliminated in the consolidated balance sheet. AXA Banque France has subscribed EUR 400 million of these covered bonds.

4.4 Market risk

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

4.4.1 Market risk banking book

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

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

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

Solvency indicator 1%	Dec-13	Dec-14
In absolute terms	EUR 19.4 million	EUR 15.5 million
In relative terms	1.9%	1.5%

In the economic capital model, the credit spread risk in the OLO banking book is also integrated. Interest rate risk is defined as the risk of a decrease in economic value or lower interest banking book products due to changes in the OLO-IRS gap (difference between the yields on government bonds and the interbank rate).

4.4.2 Market risk trading book

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

All these activities are closely monitored by the Risk Management Department of AXA Bank Europe in the framework of very strict limits: The 10-day 99.9% Value at Risk of all these activities is limited to EUR 2.2 million (+/- 0.2% of Tier 1 capital)

4.5 Currency risk

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

There is a capital requirement for this risk if the total net position represents more than 2% of equity.
In 2014, the risk is systematically monitored and hedged.
Following the announcement by the Hungarian government of the publication of the law on forced conversion in HUF of mortgage credits denominated in CHF, AXA Bank Europe concluded a series of hedging transactions with the Hungarian National Bank on the one hand and the market, on the other hand, in order to cancel the foreign exchange position resulting from the said conversion.

4.6 Liquidity risk

The Basel Committee on Banking Supervision (BCBS) defines liquidity risk as the risk of not being able to quickly and easily increase one's cash position to absorb shocks following financial and economic stress.

In recent years, liquidity management was one of the most important priorities of AXA Bank Europe. It has resulted in a suitable framework for liquidity risk which is based on both regulatory and internal indicators. At the same time, the Bank's liquidity contingency plan has been adapted and the Bank established a special task force which, during systemic or idiosyncratic liquidity crises, must immediately intervene and take appropriate action.

AXA Bank Europe's strong liquidity position is reflected in a significant surplus of liquidity, both in terms of regulatory indicators (liquidity indicator of the NBB and the Basel III LCR) and in terms of internal indicators. These internal indicators are aligned with the liquidity indicators of the AXA Group, but adapted to the specific context of AXA Bank Europe. In addition, these internal stress indicators cover both short-term (time horizon of one month) and longer term (time horizon of 1 year) stress that may appear today or tomorrow in our business plan.

Since 2011, AXA Bank Europe follows proactively new liquidity indicators of Basel III (LCR and NSFR). It has successfully adapted its strategy to meet these future indicators. This strategy includes, for example, the Bank's investment policy, which is limited to highly liquid assets, and the attraction of long-term stable funding. The main sources of stable funding of the Bank are retail deposits (16.5 bn euros at 31/12/2014) and covered bonds (3.15 bn euros at 31/12/2014). With a comfortable reserve of liquid assets and a solid financing structure, the AXA Bank Europe LCR and NSFR clearly outweigh the minimum requirements at the end of 2014.

	12.2013	12.2014	Limit
LCR ratio (conso)	147%	143%	100%
NSFR (conso)	116%	122%	100%

The growth of the above ratios in 2014 was largely determined by the sale of the structured portfolio and strengthening of the bank's capital in the course of the year.

Chart of maturity analysis (high level) and consistency with the LCR for the period 2013-2014

2014 (in EUR)	< 3 months	< 12 months	1 to 5 years	> 5 years	Total
Central Bank financing	0	0	153,950,000	0	153,950,000
Loans from financial customers:	7,489,591,870	1,106,123,309	0	202,898,611	8,798,613,790
Overdrafts	200,431,977	0	0	0	200,431,977
Buy-back arrangements	7,289,159,893	1,106,123,309	0	0	8,395,283,202
Secured loans	0	0	0	202,898,611	202,898,611
Retail funding:	14,457,930,201	439,837,964	2,051,005,914	236,188,564	17,184,962,643
Perpetual retail funding:	13,896,376,260	0	0	0	13,896,376,260
Expired retail funding (deposits with agreed maturity, EMTN for retail, customer saving certificates)	561,553,941	439,837,964	2,051,005,914	236,188,564	3,288,586,383
AXA Group Financing:	509,397,952	15,634,778	112,770,192	675,693,804	1,313,496,726
Overdraft financing	506,395,840	15,634,778	0	0	522,030,618
EMTN	3,002,112	0	112,770,192	675,693,804	791,466,108
Other contingent consideration	110,780,711	0	2,422,977,632	757,180,510	3,290,938,853
Deposits	110,780,711	0	0	0	110,780,711
Borrowings from financial customers	0	0	2,422,977,632	757,180,510	3,180,158,142
Total	22,567,700,734	1,561,596,051	4,740,703,738	1,871,961,489	30,741,962,012

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

4.7 Operational Risk

Operational risk means the risk of loss resulting from failed or insufficient internal processes or the risk of loss due to the staff or systems. A failure or failure may have both internal and external causes.
AXA Bank Europe has been applying the risk management framework for AXA Group operational risks since 2011. The framework consists of an annual review cycle that identifies, quantifies and limits the operational risks for the bank in its entirety.
Since 2013, we have been particularly focused on the detection and fight against fraud. Policy rules and stricter controls have been introduced. Thus there are, for example, additional controls on mortgage loans and atypical transactions are subject to greater scrutiny. These actions have significantly reduced the number of fraud cases in 2014.
In 2014, priority was given to operational risks related to information technology, specifically hacking, phishing and cyber-attacks. To limit exposure to these risks and to provide optimal protection to the bank and its clients, the Security Transformation Program was launched, and various actions were started (e.g., complementary checks on current accounts online).
In 2014, specific measures were also adopted for limiting smaller risks.
In 2015, attention will be mainly focused on compliance.

4.8 Strategic Risk

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

In 2014, the strategic threats are followed with the exercise of annual strategic planning, financial planning processes, product approval processes and management of strategic projects.

In 2014, the bank announced a strategic plan for the bank's activities in Belgium. The plan aims to improve the recurrent income of the bank using two types of leverage: the retail bank's repositioning and the execution of a savings plan on all activities. It has three key pillars:

- Improvement of the client focus by offering simple and transparent bank products;
- Strengthening of the bank/agent network and building trust through the proximity between agents and their clients;
- cost reduction: Within this framework, negotiations were conducted in 2014 with representatives of staff and agents alike. These negotiations include a reduction in the workforce between 2014 and 2016.

Some of the other most significant strategic risks came from the external environment of AXA Bank Europe: The risk that the Hungarian government should take unilateral decisions on the Hungarian mortgage portfolio. These strategic risk factors were subject to detailed analyses, to specific projects and, where appropriate, of provisions.

4.9 Capital Management

4.9.1 Management

The minimum capital that banks must hold as a buffer for unexpected losses is based on the Basel agreements. In 2014, the new, stricter, Basel III regulations were gradually implemented. These European rules are contained in the Belgian legislation (CRD IV) and controlled by the NBB and the ECB. AXA Bank Europe has actively prepared for these updated regulations.

The statutory solvency is being carefully monitored by the Capital Management Committee as a working group of the partial asset-liability management committee (Asset & Liability Committee or ALCO) and periodically reports to the ALCO. In 2014, the bank was largely focused on optimising the legal exploitation of capital and a reduction in weighted assets risk. The Committee ensures that AXA Bank Europe meets the capital requirements.

The calculations for regulatory capital are reported quarterly to the controller.
Alongside the capital requirements of Basel III, AXA Bank must also meet as a floor, the solvency ratio requirements of Basel I until December 2017 inclusive. In other words, capital that the bank must keep must always be greater than or equal to 80% of the total minimum amount of capital the bank is required to maintain in accordance with Basel I rules.

In September 2014, the AXA Group, a shareholder of AXA Bank Europe, strengthened the bank's equity base with an injection of EUR 135 million from basic own funds and intragroup contingent convertible bonds (CO-CO) worth EUR 90 million. This requirement meets the requirements to be recognized as Additional Tier 1 capital. In doing so, AXA anticipated the arrival of the most severe ECB macroscenario stress test so that AXA Bank Europe could meet the requirements of the ECB comprehensive assessment.

4.9.2 Regulatory Capital

Regulatory capital consists ...

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

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

TOTAL OWN FUNDS FOR SOLVENCY REQUIREMENTS	2014.12	2013.12
Core Tier 1 capital	**878 942**	**821 398**
Paid in capital instruments	681 318	546 318
Retained earnings	241 774	285 618
Accumulated other comprehensive income	(46 728)	(36 096)
Prudential filters	35 490	56 663
Deductions of Core Tier 1 capital	(32 912)	(31 105)
Additional Tier 1 capital	**90 000**	
TIER 1	**968 942**	**821 398**
TIER 2	**99 961**	**173 933**
Positive revaluation reserve in Core Tier 1		2 986
Subordinated debts	47 579	79 500
Perpetual subordinated debts	52 382	114 712
IRB provision shortfall		(23 265)
TOTAL CAPITAL	**1 068 902**	**995 332**

4.9.3 Risk-weighted volume

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

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

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

A conversion factor is applied as required to the entries that fall outside the off-balance-sheet after which they are dealt with in a similar manner.

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

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

RISK WEIGHTED ASSETS	2014.12	2013.12
(in '000 EUR)		
Risk weighted assets for credit risk	4 255 795	3 819 736
Risk weighted assets for market risk	191 412	361 975
Risk weighted assets for operational risk	699 409	676 134
Risk exposure amount for credit valuation adjustment (CVA-risk)	175 749	0
TOTAL RISK WEIGHTED ASSETS	**5 322 365**	**4 857 844**

4.9.4 Capital ratios

CAPITAL RATIOS	2014.12	2013.12
T1 ratio	18,2%	16,9%
CRD ratio	20,1%	20,5%

AXA Bank Europe late 2014 meets all the minimum capital requirements imposed by Basel III. The bank also meets the strictest percentage of Tier 1 capital imposed under SREP.

5 Fair value of financial assets and liabilities

5.1 Fair value in relation to retail activity

Fair value hedges

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

Fair value calculation

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

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

- First, future cash flows are calculated based on product features (client's interest rate, payment frequency, etc.) For products for which a duration is unknown such as saving and current accounts, a hypothetical duration is assumed.
- These cash flows are subsequently adjusted for retail credits in order to take into account early repayments (4% on an annual basis for mortgage loans and investment credits; 10% on an annual basis for instalment loans).
- The embedded caps and floors in variable mortgage loans have been taken into account in the calculation of the fair value that is based on the Monte Carlo technique. In a nutshell, a group of interest scenarios has been generated. The cash flows of the mortgage loans are simulated in each of these scenarios while taking into account the caps/floors: for example, the customer reset rate will depend on the simulated market rate, but shall not be higher than the contractually embedded cap linked to the mortgage loan. The fair value of the portfolio is determined by taking the average of the discounted cash flows in the Monte Carlo scenario.

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

5.2 Fair value with respect to financing activities (treasury)

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

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

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

The use of observable input parameters results in a fair value of Category 2, while the use of unobservable input parameters leads to a fair value of category 3, unless their influence is not significant. Observable inputs are developed using market data such as publicly available information about actual events or transactions, and reflect the assumptions market participants would use in setting the price of the instrument. As the parameters used can vary from one instrument to another, we determine the observability and significance of potentially unobservable parameters by class of instruments. On the basis of these criteria, we keep a decision table that justifies the level of fair value assigned to each class of instruments. A specialised committee ensures a regular review, at least annually, of this decision table to ensure accuracy and completeness. The specialised committee is composed of at least managers of accounting policies and the middle office representing the company.

We can find the following elements in the second category:

Assets

Receivables from other bankers

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

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

Loans and receivables from clients

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

Liabilities

Deposits and borrowings

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

Issued debt instruments

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

Overview of assets and liabilities expressed at fair value

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

Assets / Liabilities 2014.12 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	Of which: amount recognised in P&L using a valuation technique during the period(level 3)1
Trading assets		6 412 466	310	6 320 202	91 955
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		9 263 827	8 223 830	1 033 267	6 731
Held-to-maturity investments					
Other financial assets					
Financial liabilities held for trading		6 240 739	9	6 166 130	74 600
Financial liabilities designated at fair value through profit or loss		1 613 123		1 332 940	280 182

(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 2013.12 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	Of which: amount recognised in P&L using a valuation technique during the period(level 3)1
Trading assets		2 982 637	17 725	2 964 912	
Financial assets designated at fair value through profit or loss		4 864		4 864	
Available-for-sale financial assets		8 644 295	7 566 633	1 070 932	6 731
Held-to-maturity investments					
Other financial assets					
Financial liabilities held for trading		2 889 266	14 469	2 874 797	
Financial liabilities designated at fair value through profit or loss		1 387 504		1 387 504	

(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.

Level 3 fair value of financial assets / liabilities (in EUR '000)		(a) Net gains and losses included in:					
31.12.2014	**RW Level 3 OPENING BALANCE**	**W&V**	**OCI**	**(b) Purchases, Sales and Settlements**	**(c) Net transfer in and out of Level 3**	**RW Level 3 CLOSING BALANCE**	**Level 3 Total impact on P & L for the period**
Assets available for sale (7120)	6 731	0	0	0	0	6 731	0
Financial assets at fair value with fair value through profit and loss (7110)	0	0	0	0	0	0	0
Financial assets held for trading (7100)	0	15 894	0	0	76 061	91 955	15 894
Financial liabilities held for trading (7160)	0	-18 342	0	-108 567	-227 873	-354 783	-18 342
Total level 3 financial assets / liabilities	**6 731**	**-2 448**	**0**	**-108 567**	**-151 813**	**-256 097**	**-2 448**

(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 write-downs as a final loss).

(b) Settlements during the period of financial assets / BLIGATIONS 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:					
31.12.2013	RW Level 3 OPENING BALANCE	W&V	OCI	(b) Purchases, Sales and Settlements	(c) Net transfer in and out of Level 3	RW Level 3 CLOSING BALANCE	Level 3 Total impact on P & L for the period
Assets available for sale (7120)	6 731	0	0	0	0	6 731	0
Financial assets at fair value with fair value through profit and loss (7110)	0	0	0	0	0	0	0
Financial assets held for trading (7100)	0	0	0	0	0	0	0
Financial liabilities held for trading (7160)	0	0	0	0	0	0	0
Total level 3 financial assets / liabilities	**6 731**	**0**	**0**	**0**	**0**	**6 731**	**0**

(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 write-downs as a final loss).

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

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

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

In relation to the assets available for selling regarding which the FV is based on quoted prices:

Market value adjustment: +188,347:

Purchase/sale: +468.844

In relation to the assets available for selling regarding which the FV is based on observable data other than quoted prices:

Market value adjustment: +49,384:

Purchase/sale: -87,049

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

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

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

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

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

Changes in 2014 mainly reflect EMTN issued and related derivatives through the use of the decision table above. To this end, the non-observability of certain underlying valuation parameters, i.e. volatilities that are part of option pricing parameters, were considered important and therefore reported as Level 3.

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

Assets / Liabilities 2014.12 in '000 EUR	Carrying amount (if different from fair value)	Recognised or disclosed fair values	Fair value determined on the basis of stock market prices	Fair value determined on the basis of observable data other then stock market prices	Fair value not determined on the basis of market data
Loans and receivables	25 663 294				
Loans and receivables, no FV	10 423 133	10 423 133			
Loans and receivables, FV	15 240 161	15 240 161			17 135 353
Financial liabilities at amortised cost	31 982 130				
Financial liabilities, no FV	28 805 911	28 805 911			
Financial liabilities, FV	3 176 219	3 281 759		3 281 759	

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 coverd bond (for which the fair value is based on information obtained by more than 20 market participants or obtained from Bloomberg.

5.3 Day one profits

Day one profits were not booked during the 2014 financial year. The amounts recognised during previous financial years shall be spread over the duration of the instrument.

5.4 Application of CVA and DVA on derivative portfolio

Based on internal assessment by the Bank, management believes that the impact of the application of CVA and DVA on the derivative portfolio amounted to gross CVA of EUR 20.1 million and gross DVA of EUR 20.6 million. The net impact (earnings) thus came to EUR 0.5 million (before tax).

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

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

6 Critical accounting estimates and judgements

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

- Estimation of the realisable value for impairments for:

  Financial instruments - securities

  Financial instruments - credits

  Property, plant and equipment

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

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

- Estimation of impairment for loan losses in Belgium

AXA Bank Europe compared the definition of "unlikely to pay" to the TIS issued by the EBA in July 2014 on "Forbearance & non-performing". On the basis of an expert assessment, the additional impact was measured and recognised in 2014.

On the basis of that TIS version of July 2014 ("*the debtor's situation has improved to the point that one can expect full refund, at the original conditions or, if applicable, under modified conditions"), the* bank must incorporate a specific monitoring period of 6 months for those customers who have eliminated their arrears before it can again consider them as non-impaired loans. The impact on credit losses was measured and recognised at the end of 2014.

Total writedowns amounted to EUR 3.3 million.

- Estimation of impairment for loan losses in Hungary.

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

* The seriousness of the payment problems
* The magnitude of the debt
* The location of the real estate
* The condition and value of the real estate
* The market liquidity in the region valued through a local index (equivalent to the Belgian Stadim)
* The time required to find a buyer in the region
* Can be first class
* The probability of recovery through a forced sale or some other means
* The CHF/HUF currency exchange effect

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

- Estimate of deferred tax

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

- Deferred tax through Other Comprehensive Income

These tax assets are booked on:

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

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

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

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

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

The net deferred tax position through income amounts to EUR 54.292 million as of 31-12-2014.

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

7 Net fee and commission income

Fee and commission income and expenses in '000 EUR	2014.12	2013.12
Fee and commission income		
Securities	12 711	16 189
Issued	10 442	16 189
Transfer orders	45	
Other	2 224	
Clearing and settlement		
Trust and fiduciary activities	1 131	1 169
Asset management		
Custody	1 131	1 169
Other fiduciary transactions		
Loan commitments		1 798
Payment services	17 505	14 146
Structured finance		
Servicing fees from securitization activities		
Other	17 834	8 033
TOTAL	49 181	41 336
Fee and commission expenses		
Commissions to agents (acquisition costs)	25 090	29 018
Clearing, settlement and consignment	1 281	1 471
Other	15 435	17 799
TOTAL	41 806	48 287

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

Net income from financial instruments not classified as fair value through profit or loss 2014.12 in '000 EUR	Realised gains	Realised losses	Net
Available-for-sale financial assets	136 446	39 999	96 447
Loans and receivables (including finance leases)	11 035		11 035
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
TOTAL	147 481	39 999	107 482

Net income from financial instruments not classified as fair value through profit or loss 2013.12 in '000 EUR	Realised gains	Realised losses	Net
Available-for-sale financial assets	180 869	72 301	108 568
Loans and receivables (including finance leases)	5 291	3 885	1 407
Held-to-maturity investments			
Financial liabilities measured at amortised cost			
Other			
TOTAL	186 160	76 185	109 975

9 Net income from financial instruments designated at fair value

Net income from financial instruments designated at fair value 2014.12 in '000 EUR	Realised gains	Realised losses	Net	Amount of change in FV due to changes in the credit risk
Financial assets designated at fair value through profit or loss	16 574		16 574	
Financial liabilities designated at fair value through profit or loss	9 178	77 166	-67 989	
TOTAL	25 752	77 166	-51 415	

Net income from financial instruments designated at fair value 2013.12 in '000 EUR	Realised gains	Realised losses	Net	Amount of change in FV due to changes in the credit risk
Financial assets designated at fair value through profit or loss	23 353	20 121	3 231	
Financial liabilities designated at fair value through profit or loss		49 263	-49 263	
TOTAL	23 353	69 384	-46 031	

10 Net income from hedging activities

Net income from hedging activities 2014.12 in '000 EUR	Realised gains	Realised losses	Net
Fair value hedges	701 282	687 524	13 757
Fair value changes of the hedged item attributable to the hedged risk	56 488	640 526	-584 037
Fair value changes of the hedging derivatives (Including discontinuation)	644 793	46 999	597 795
Cash flow hedges			
Fair value changes of the hedging derivatives - ineffective portion			
Hedges of net investments in a foreign operation			
Fair value changes of the hedging derivatives - ineffective portion			
Fair value hedge of interest rate risk		86 218	-86 218
Fair value changes of the hedged item		86 218	-86 218
Fair value changes of the hedging derivatives			
Cash flow hedge of interest rate risk			
Fair value changes of the hedging instrument - ineffective portion			
Discontinuation of hedge accounting in the case of a cash flow hedge			
TOTAL	701 282	773 743	-72 461

Net income from hedging activities 2013.12 in '000 EUR	Winsten	Verliezen	Netto
Fair value hedges	194 323	202 370	-8 046
Fair value changes of the hedged item attributable to the hedged risk	56 055	137 857	-81 802
Fair value changes of the hedging derivatives (Including discontinuation)	138 268	64 513	73 756
Cash flow hedges			
Fair value changes of the hedging derivatives - ineffective portion			
Hedges of net investments in a foreign operation			
Fair value changes of the hedging derivatives - ineffective portion			
Fair value hedge of interest rate risk	159 190	143 083	16 107
Fair value changes of the hedged item		143 083	-143 083
Fair value changes of the hedging derivatives	159 190		159 190
Cash flow hedge of interest rate risk			
Fair value changes of the hedging instrument - ineffective portion			
Discontinuation of hedge accounting in the case of a cash flow hedge			
TOTAL	353 513	345 453	8 061

Including the amortization of the fair value change of the hedged position.

11 Other operating income and expenses

Other operating income and expenses in '000 EUR	2014.12	2013.12
INCOME	28 501	27 821
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	28 501	27 821
EXPENSES	1 326	1 556
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	1 305	1 468
Other	21	88
TOTAL	27 175	26 265

12 Personnel expenditure

Employee benefits in '000 EUR	2014.12	2013.12
Wages and salaries	72 031	82 038
Social security charges	37 023	41 204
Pension and similar expenses	1 276	2 344
Share based payments		
Other	1 858	3 816
TOTAL	112 188	129 403

13 Other operating expenses

Other operating expenses in '000 EUR	2014.12	2013.12
Marketing expenses	8 162	5 936
Professional fees	40 560	41 241
IT expenses	8 903	11 249
Rents to pay or to receive	472	-2 151
Other	96 420	96 655
TOTAL	154 517	152 930

14 Income tax expense

AXA Bank Europe used the Notional Interest Deduction for the current financial year in 2014.

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

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

The aim of this measure is to promote equity and to attract capital-intensive investments as well as to remain open to Belgian Coordination Centres.

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

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

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

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

The taxable profit is not a reason for corporate tax being owed for the 2013 financial year because (mainly) of the use of the Notional Interest Deduction for the financial year. However, no use was made of the transferrable stock built up based on the Notional Interest Deduction that could be carried forward from the previous financial years up to and including 2011.

AXA Bank Europe's equity contains tax free reserves for an amount of EUR 213,067,385.05 (no change over 2013) for which no deferred tax up to EUR 72,421,604.18 was calculated. In instances of these reserves being paid out, they will be taxable. As long as the bank is a going concern, these reserves are required as part of the equity capital for the operations of the bank, since there is no intention of paying them out.

Deferred taxes on assets were included based on the budget exercise of AXA Bank for part of the non-used tax transferrable losses (EUR 96,967,907.27). AXA Bank Europe did not book the deferred taxes on its assets for the other part of non-used tax transferable losses (EUR 92,574,226.34) and stock as at the end of 2011 of transferable Notional Interest Deduction (EUR 140,297,232.21) in 2014.

Reconciliation of statutory tax to effective tax 2014.12 in '000 EUR	Net amount	%
1. Tax expense using statutory rate	17 396	
1.1. Net profit before taxes	-51 180	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	-18 965	
3. Tax impact of non taxable revenues	-3 501	
4. Tax impact of non tax deductible expenses	93	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss		
7. Tax impact from reassessment of unrecognised deferred tax assets		
8. Tax impact of change in tax rates	-1 638	
9. Tax impact from under or over provisions in prior periods	28	
10. Other increase (decrease) in statutory tax charge	9 617	
11. Tax expense using effective rate	3 030	
11.1. Net profit before taxes	-51 180	
11.2. Effective tax rate		5,92%

Reconciliation of statutory tax to effective tax 2013.12 in '000 EUR	Net amount	%
1. Tax expense using statutory rate	-7 122	
1.1. Net profit before taxes	-20 954	
1.2. Statutory tax rate		33,99%
2. Tax impact of rates in other jurisdictions	-11 903	
3. Tax impact of non taxable revenues	6 823	
4. Tax impact of non tax deductible expenses	1 834	
5. Tax impact of utilisation of previously unrecognised tax losses		
6. Tax impact on tax benefit not previously recognised in profit or loss	-2 369	
7. Tax impact from reassessment of unrecognised deferred tax assets	-3 890	
8. Tax impact of change in tax rates		
9. Tax impact from under or over provisions in prior periods		
10. Other increase (decrease) in statutory tax charge	9 023	
11. Tax expense using effective rate	-8 732	
11.1. Net profit before taxes	-20 954	
11.2. Effective tax rate		41,67%

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

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

	31/12/2014	31/12/2014	31/12/2014
Analysis of deferred tax assets and liabilities	**Net deferred tax assets**	**Net deferred tax liabilities**	**Net deferred taxes**
Deferred taxes through result	155 026	100 734	54 292
Deferred taxes through revaluation reserve for financial assets available for sale	6 903	86 902	-79 999
Deferred taxes through cash flow hedge revaluation reserve	4 313	0	4 313
Deferred taxes through profit and losss on defined benefit plans	15 668	0	15 668
Deferred taxes on reserves for income through Stock Option Plan	0	299	-299
Total deferred taxes	181 910	187 935	-6 025

	31/12/2013	31/12/2013	31/12/2013
Analysis of deferred tax assets and liabilities	**Net deferred tax assets**	**Net deferred tax liabilities**	**Net deferred taxes**
Deferred taxes through result	124 762	75 604	49 158
Deferred taxes through revaluation reserve for financial assets available for sale	70 693	70 714	-21
Deferred taxes through cash flow hedge revaluation reserve	4 781	0	4 781
Deferred taxes through profit and losss on defined benefit plans	8 284	0	8 284
Deferred taxes on reserves for income through Stock Option Plan	0	105	-105
Total deferred taxes	208 520	146 423	62 097

Among the "deferred tax liabilities through reserves for real value adjustments to assets available for sale", EUR 116,000 have an expected usage date of less than one year.

Deferred tax assets per expected date of utilization

31/12/2014	*Deferred tax asset-expected date of utilization 1 year*	*Deferred tax asset-expected date of utilization 2 year*	*Deferred tax asset-expected date of utilization 3 year*	*Deferred tax asset-expected date of utilization 4 year*	*Deferred tax asset-expected date of utilization 5 year*	*Deferred tax asset-expected date of utilization 6 year*	*Deferred tax asset-expected date of utilization Between 7 and 11 years*	*Deferred tax asset-expected date of utilization > 11 years*	*Deferred tax asset-expected date of utilization No date determined*	***TOTAL***
Deferred tax asset on taxable transferred losses	3 687	3 107	8 792	17 373	0	0	0	0		32 959
Other deferred tax assets	59 772	399	21	4 334	54	50 809	7	33 555		148 951
TOTAL DTA	**63 459**	**3 506**	**8 813**	**21 707**	**54**	**50 809**	**7**	**33 555**	**0**	**181 910**

Deferred tax assets per expected date of utilization

31/12/2013	*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	0	2 519	4 475	11 240	14 725	0	0	0	0	32 959
Other deferred tax assets	3 235	1 758	634	5 563	84 191	8 432	21 293	50 455	0	175 561
TOTAL DTA	**3 235**	**4 277**	**5 109**	**16 803**	**98 917**	**8 432**	**21 293**	**50 455**	**0**	**208 520**

Deferred tax assets as on the last use date

31/12/2014	*DTA last use date 1 year*	*DTA last use date 2 year*	*DTA last use date 3 year*	*DTA last use date 4 year*	*DTA last use date 5 year*	*DTA last use date 6 year*	*DTA last use date Between 7 and 11 years*	*DTA last use date > 11 years*	*DTA last use date No due date*	***TOTAL***
DTA on taxable transferred losses	0	0	0	0	0	0	0	0	32 959	32 959
Other deferred tax assets	66	13	13	4 326	423	50 801	268	0	93 041	148 951
TOTAL DTA	**66**	**13**	**13**	**4 326**	**423**	**50 801**	**268**	**0**	**126 000**	**181 910**

Deferred tax assets as on the last use date

31/12/2013	*DTA last use date 1 year*	*DTA last use date 2 year*	*DTA last use date 3 year*	*DTA last use date 4 year*	*DTA last use date 5 year*	*DTA last use date 6 year*	*DTA last use date Between 7 and 11 years*	*DTA last use date > 11 years*	*DTA last use date No due date*	***TOTAL***
DTA on taxable transferred losses	0	0	0	0	0	0	0	32 959	0	32 959
Other deferred tax assets	1 648	3 108	246	5 555	84 184	7 232	21 489	52 099	0	175 561
TOTAL DTA	**1 648**	**3 108**	**246**	**5 555**	**84 184**	**7 232**	**21 489**	**85 058**	**0**	**208 520**

<u>Income tax expense (income) current and deferred</u>

Income tax expense (income) current and deferred in '000 EUR	2014.12	2013.12
Current income tax expense, net	2 035	3 036
Deferred tax expense, net	-5 064	-11 768
<u>Total</u>	<u>-3 029</u>	<u>-8 732</u>

15 Cash and balances with central banks

Cash and balances with central banks in '000 EUR	2014.12	2013.12
Cash and balances with central banks	386 474	415 802
TOTAL	386 474	415 802

16 Loans and receivables

Counterparty breakdown 2014.12 in '000 EUR	Unimpaired assets	Impaired assets (total carrying amount)	< Allowances for individually assessed financial assets >	< Allowances for collectively assessed financial assets > (*)	Total net carrying amount
Debts instruments issued by					
Central governments					
Credit institutions					
Non credit institutions					
Corporate					
Loans and receivables to	25 442 678	510 938	-198 787	-91 535	25 663 294
Central governments	16 249				16 249
Credit institutions	2 542 831				2 542 831
Non credit institutions	5 975 317	3 907	-1 623	-106	5 977 495
Corporate	832 514	31 456	-14 965	-558	848 447
Retail	16 075 768	475 575	-182 199	-90 870	16 278 273
Accrued income (if accounted for separately)					
TOTAL	**25 442 678**	**510 938**	**-198 787**	**-91 535**	**25 663 294**

These "loans and receivables" include EUR 2,212,000 euros maturing within a year.

Counterparty breakdown 2013.12 in '000 EUR	Unimpaired assets	Impaired assets (total carrying amount)	< Allowances for individually assessed financial assets >	< Allowances for collectively assessed financial assets > (*)	Total net carrying amount
Debts instruments issued by					
Central governments					
Credit institutions					
Non credit institutions					
Corporate					
Loans and receivables to	23 859 218	584 660	157 077	111 211	24 175 590
Central governments					
Credit institutions	1 148 719				1 148 719
Non credit institutions	6 404 671	1 094	601	70	6 405 094
Corporate	963 539	32 302	15 204	337	980 301
Retail	15 342 288	551 264	141 272	110 804	15 641 476
Accrued income (if accounted for separately)					
TOTAL	**23 859 218**	**584 660**	**157 077**	**111 211**	**24 175 590**

Loans and receivables (excluding credit institutions) 2014.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		4 291 852		
Consumer Credit		3 080	3 515	903 616
Mortgage loans		30 643	901	15 023 749
Term loans	46	301 225	825 036	216 411
Current accounts		3 022	18 995	54 035
Other	16 202	1 347 672		80 462
TOTAL	16 249	5 977 495	848 447	16 278 273

Loans and receivables (excluding credit institutions) 2013.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail
Bills & own acceptances				
Finance leases				
Reverse repo		5 212 545		
Consumer Credit		3 316	12 357	984 102
Mortgage loans		31 379	5 061	13 813 808
Term loans		277 487	939 387	728 887
Current accounts		2 663	23 053	35 569
Other		877 705	443	79 109
TOTAL		6 405 095	980 301	15 641 476

17 Financial assets designated at fair value through profit or loss

Table A : Counterparty breakdown 2013.12 in '000 EUR	2014.12	2013.12
Equity instruments		
Quoted		
Unquoted but FV determinable		
Debt instruments issued by		4 864
Central governments		
Credit institutions		
Non credit institutions		4 864
Corporate		
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income if accounted for separately		
TOTAL	0	4 864

18 Available-for-sale financial assets

Counterparty breakdown 2014.12 in '000 EUR	Fair value of unimpaired assets	Fair value of impaired assets	Total net carrying amount	< Impairment >
Equity	6 791	23	6 814	11
Quoted	57		57	
Unquoted but FV determinable	26		26	
Equity instruments at cost	6 708	23	6 731	11
Debt instruments issued by	9 257 014		9 257 014	
Central governments	8 397 186		8 397 186	
Credit institutions	374 312		374 312	
Non credit institutions	485 515		485 515	
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	9 263 804	23	9 263 827	11

Counterparty breakdown 2013.12 in '000 EUR	Reële waarde van niet in waarde verminderde activa	Reële waarde van in waarde verminderde activa	Totale netto boekwaarde	< Bijzondere waardeverminderingen >
Equity	6 816	23	6 839	11
Quoted	82		82	
Unquoted but FV determinable	6 734	23	6 756	11
Equity instruments at cost				
Debt instruments issued by	8 637 456		8 637 457	3 519
Central governments	5 287 871		5 287 871	
Credit institutions	416 101		416 101	
Non credit institutions	2 933 485		2 933 485	3 519
Corporate				
Loans & advances to				
Central governments				
Credit institutions				
Non credit institutions				
Corporate				
Retail				
Accrued income (if accounted for separately)				
TOTAL	8 644 272	23	8 644 295	3 530

19 Trading assets

Counterparty breakdown in '000 EUR	2014.12	2013.12
Derivatives held for trading	6 412 156	2 982 636
Equity instruments		
Quoted		
Unquoted but FV determinable		
Equity instruments at cost		
Debt instruments issued by	310	1
Central governments		
Credit institutions		
Non credit institutions		1
Corporate	310	
Loans & advances to		
Central governments		
Credit institutions		
Non credit institutions		
Corporate		
Retail		
Accrued income (if accounted for separately)		
TOTAL	6 412 466	2 982 637

20 Impairment charge for credit losses

2014.12 in '000 EUR	Overdue ≤ 90 days	Overdue > 90 days & ≤ 180 days	Overdue > 180 days & ≤ 1 year	Overdue > 1 year	Net carrying amount of the impaired assets	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	Collateral and other credit enhancements received as security for the related impaired and past due assets
Equity instruments					23			
Quoted								
Unquoted but FV determinable					23			
Equity instruments at cost								
Debt instruments								
Central governments								
Credit institutions								
Non credit institutions								
Corporate								
Loans & advances	1 374 428	4 251	195	163	220 623	198 787	-62 401	
Central governments								
Credit institutions								
Non credit institutions	27 304	8	0	1	2 178	1 623	106	
Corporate	68 525	704	48	39	15 934	14 965	558	
Retail	1 278 599	3 538	147	124	202 512	182 199	-62 737	
Bills & own acceptances								
Finance leases								
Securitized loans								
Consumer Credit	142 311	834			17 035	23	13 667	
Mortgage loans	1 111 841	2 382			175 566	167 344	50 349	
Term loans	18 147	46			6 468	4 429	-1 488	
Current accounts	6 300	275	147	124	3 088	7 581	209	
Other								
Other financial assets					355	2 822		
TOTAL	**1 374 428**	**4 251**	**195**	**163**	**220 978**	**201 609**	**-62 401**	

Allowances for incurred but not reported losses on financial assets							28 133	
Non specifically attributable collaterals								

2013.12 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	Collateral and other credit enhancements received as security for the related impaired and past due assets
Equity instruments					23	-11		
Quoted								
Unquoted but FV determinable					23	-11		
Equity instruments at cost								
Debt instruments						3 519		
Central governments								
Credit institutions								
Non credit institutions						3 519		
Corporate								
Loans & advances	1 696 080	5 094	508	385	427 583	157 077	85 218	
Central governments								
Credit institutions								
Non credit institutions	29 746	10	2	3	493	601	70	
Corporate	96 417	1 444	248	181	17 098	15 204	337	
Retail	1 569 916	3 640	258	201	409 992	141 272	84 811	
Bills & own acceptances								
Finance leases								
Securitized loans								
Consumer Credit	178 164	46	14		37 984		15 703	
Mortgage loans	1 361 299	2 954			208 435	54 820	20 388	
Term loans	23 076	308			159 119	78 753	47 708	
Current accounts	7 377	331	243	201	4 455	7 698	1 011	
Other	1							
Other financial assets					102	2 849		
TOTAL	**1 696 080**	**5 094**	**508**	**385**	**427 708**	**163 434**	**85 218**	

Allowances for incurred but not reported losses on financial assets							25 993	
Non specifically attributable collaterals								

Overview of impairment **2014.12** **in '000 EUR**	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	121 446	67 318	54 128
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity		3 669	-3 669
Loans and receivables measured at amortized cost (including finance leases)	121 446	63 649	57 797
Held to maturity investments measured at amortized cost			
Impairment on			
Property, plant and equipment			
Investment properties			
Intangible assets			
Goodwill			
Other			
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	**121 446**	**67 318**	**54 128**
Interest income on impaired financial assets accrued in accordance with IAS 39			

Overview of impairment **2013.12** **in '000 EUR**	Additions	Reversals	Total
Impairment losses on financial assets not measured at fair value through profit or loss	138 293	80 305	57 987
Financial assets measured at cost (unquoted equity and related derivatives)			
Available for sale financial assets measured at fair value through equity	1	2 365	-2 364
Loans and receivables measured at amortized cost (including finance leases)	138 292	77 941	60 352
Held to maturity investments measured at amortized cost			
Impairment on	3 741		3 741
Property, plant and equipment	133		133
Investment properties			
Intangible assets	3 607		3 607
Goodwill			
Other	3 607		3 607
Investments in associates and joint ventures accounted for using the equity method			
Other			
TOTAL	**142 033**	**80 305**	**61 728**
Interest income on impaired financial assets accrued in accordance with IAS 39			-211

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

Credit exposure 2014.12 in '000 EUR	Maximum credit exposure
Equity	6 814
Debt instruments	9 257 014
Loans & advances	26 851 627
Derivatives	6 582 081
Other	91 938
TOTAL	42 789 474

Carrying amount of financial assets pledged as collateral for	11 816 255
Liabilities	10 169 026
Contingent liabilities	1 647 229

Credit exposure 2013.12 in '000 EUR	Maximum credit exposure
Equity	6 839
Debt instruments	8 642 321
Loans & advances	25 110 948
Derivatives	3 156 742
Other	95 284
TOTAL	37 012 133

Carrying amount of financial assets pledged as collateral for	11 687 251
Liabilities	10 313 446
Contingent liabilities	1 373 805

Allowances movements for credit losses 2014.12 in '000 EUR	Opening balance	Write-down taken against the allowance	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjustments (*)	Transfers between allowances	Closing balance
Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets							
	248 662		119 969	-65 572	-40 872		262 187
Allowances for incurred but not reported losses on financial assets							
	25 993		1 478	-1 746	2 409		28 134
TOTAL	274 655		121 447	-67 318	-38 463		290 321

Allowances movements for credit losses 2013.12 in '000 EUR	Opening balance	Write-down taken against the allowance	Amounts set aside for estimated probable loan losses	Amounts reversed for estimated probable loan losses	Other adjustments (*)	Transfers between allowances	Closing balance
Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets							
	220 045	34 624	98 635	-5 498	-40 881		248 673
Allowances for incurred but not reported losses on financial assets							
	33 496		2 425	9 476	-451		25 993
TOTAL	253 541	34 624	101 060	3 978	-41 333		274 666

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

Received collateral

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

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

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

Retail collateral

- Collateral for mortgage loans

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

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

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

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

- Collateral for personal credits

These guarantees are the following:

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

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

Fair guarantees

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

Personal or moral guarantees

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

- Collateral for instalment loans

For consumer credits only one type of guarantee is used:

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

- Treasury and derivatives guarantees

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

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

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

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

21 Derivatives kept for hedging

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

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

- Fair value hedges

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

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

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

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

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

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

- Cash flow hedge

This strategy implies the need to hedge floating liabilities which will end in 2018. It involves a strict micro-hedge construction aimed at insuring the bank regarding flows to be paid.

- Fair value option

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

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

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

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

- Freestanding derivatives

<u>Macro-hedge activity</u>

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

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

<u>Trading activity</u>

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

Derivatives – held for trading purposes

By type 2014.12 in '000 EUR	Notional amount	Carrying amount Assets	Carrying amount Liabilities
Option / Cap / Floor / Collar / Swaption	12 151 484	451 555	448 649
IRS	62 837 401	5 761 469	5 683 810
FRA			
Forward			
Interest future			
Other			
Equity forward			
Equity future			
Equity option			
Warrant			
Other	4 620 656	120 762	16 700
FX forward	5 594 592	73 544	64 151
FX future			
Cross currency swap	564 244	4 825	27 420
FX option			
FX forward rate agreement			
Other			
Credit default swap			
Credit spread option			
Total return swap			
Other			
	85 768 377	6 412 156	6 240 730

By type 2013.12 in '000 EUR	Notional amount	Carrying amount Assets	Carrying amount Liabilities
Option / Cap / Floor / Collar / Swaption	14 929 080	330 635	319 220
IRS	54 200 023	2 589 471	2 485 686
FRA			
Forward			
Interest future			
Other			
Aan-/verkoop op termijn van aandelen			
Equity future			
Equity option			
Warrant			
Other	4 570 362	43 132	43 005
FX forward	4 337 751	17 725	14 456
FX future			
Cross currency swap	237 155	1 674	26 885
FX option			
FX forward rate agreement			
Other			
Credit default swap			
Credit spread option			
Total return swap			
Other			
	78 274 371	2 982 637	2 889 252

Derivatives – administrative treatment of hedging activities (micro hedging)

By type of risk	By instrument 2014.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	169 925	405 724	7 316 000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		169 925	405 724	7 316 000
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS		38 855	200 000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL			38 855	200 000
Hedges of a net investment in a foreign operation				
TOTAL		169 925	444 579	7 516 000

By type of risk	By instrument 2013.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	174 097	88 361	7 044 000
	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		174 097	88 361	7 044 000
Cash flow hedges				
Interest rate	Option / Cap / Floor / Collar / Swaption			
	IRS	8	40 233	200 000
	FRA			
	Forward			
	Interest future			
	Other			
Equity instruments	Equity forward			
	Equity future			
	Equity option			
	Warrant			
	Other			
Currency (FX)	FX forward			
	FX future			
	Cross currency swap			
	FX option			
	FX forward rate agreement			
	Other			
Credit	Credit default swap			
	Credit spread option			
	Total return swap			
	Other			
Commodity				
Other				
TOTAL		8	40 233	200 000
Hedges of a net investment in a foreign operation				
TOTAL		174 105	128 593	7 244 000

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

Hedging of interest rate portfolio 2014.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges	2 134	656 146	4 498 119
Cash flow hedges			

Hedging of interest rate portfolio 2013.12 in '000 EUR	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Fair value hedges	13 004	406 631	4 919 968
Cash flow hedges			

22 Other assets

Carrying amount in '000 EUR	2014.12	2013.12
Employee benefits	83 982	82 032
Servicing assets for servicing rights		
Prepaid charges	1 089	2 703
Accrued income (other than interest income from financial assets)	4 521	5 417
Precious metals, goods and commodities		
Other advances	46	290
Other	2 301	4 842
TOTAL	**91 938**	**95 284**

23 Investments in associates, subsidiaries and joint ventures

AXA Bank Europe has the following limited number of subsidiaries:

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

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

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

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

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

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

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

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

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

No changes were made to the consolidation scope during the financial year 2014.

Summarised financial information of subsidiaries and joint ventures	Entity 2014.12 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%	1 262 271	1 258 349	761	31/12/2013
	SPV Royal Street	10,00%	6 646 674	6 633 331		31/12/2013
	AXA BANK Europe SCF	100,00%	4 308 449	4 192 230	4 852	31/12/2013
	Entiteit 2014.12 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%	2 078	13	-19	31/12/2013
	Motor Finance Company N.V.	100,00%	10 382	6 637	420	31/12/2013
	Bancontact-Mister Cash (before Brand & Licence Cy)	20,00%	7 303	2 132	667	31/12/2012

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.

24 Goodwill and other intangible assets

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

During 2014, EUR 99,000 investments were made in internal projects for the bank in Belgium. This year it mainly concerned developments within the Basel III reporting and the promotion of bank products through the Internet.

Other intangible assets accounted for by using the revaluation model 2014.12 in '000 EUR	Goodwill	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance		5 628	2 204		8	7 840
Additions from internal development		99				99
Additions from separate acquisition			84		158	242
Adjustments from business combinations						
Retirement & disposals						
Transfers to and from non-current assets Held for Sale						
Adjustments resulting from subsequent recognition of deferred tax assets						
Amortization recognized		1 840	895		1	2 735
Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity						
Impairment recognized in profit or loss						
Impairment reversed in profit or loss						
Foreign currency translation effects						
Other movements						
Ending balance		3 888	1 394		165	5 447
Amortization financial year		1 840	895		1	2 735
Amortization previous year		9 927	1 734		6	11 667
Cumulated Amortization		11 767	2 629		7	14 402

Other intangible assets accounted for by using the revaluation model 2013.12 in '000 EUR	Goodwill	Internally developed software	Acquired software	Other internally developed intangible assets	Other intangible assets	Total carrying amount
Opening balance		6 125	7 559		77	13 760
Additions from internal development		2 734				2 734
Additions from separate acquisition			41		10	51
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		3 230	1 638		15	4 883
Increases or decreases resulting from revaluations and impairment losses recognized or reversed directly in equity						
Impairment recognized in profit or loss			3 566		41	3 607
Impairment reversed in profit or loss						
Foreign currency translation effects			-192			-191
Other movements					-23	-23
Ending balance		5 628	2 204		8	7 840
Amortization financial year		3 230	1 638		15	4 883
Amortization previous year		6 697	9 925		59	16 680
Cumulated Amortization		9 927	1 734		6	11 667

25 Property, plant and equipment

PPE measured after recognition using the revaluation model 2014.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	40 301	1 257	3 182	1 013	45 753
Additions	0	308	1 776	360	2 444
Acquisition through business combinations					
Disposals					
Disposals through business combinations					
Depreciation	1 845	422	28	124	2 419
Impairment losses recognized in profit or loss					
Impairment losses reversed in profit or loss					
Foreign currency translation effects					
Transfers					
To and from non-current assets held for sale					
To and from investment property					
Other changes	4 865		-4 865		
Ending balance	43 321	1 143	65	1 250	45 779
Amortization financial year	22 973	1 191	1 977	302	26 443
Amortization previous year	1 845	422	28	124	2 419
Cumulated Amortization	24 818	1 613	2 005	426	28 862

PPE measured after recognition using the revaluation model 2013.12 in '000 EUR	Owner-occupied land and building	IT equipment	Office equipment	Other equipment (including cars)	Total carrying amount
Opening balance	41 651	1 508	3 081	954	47 194
Additions		268	614	268	1 150
Acquisition through business combinations					
Disposals		1	1	6	7
Disposals through business combinations					
Depreciation	1 350	471	485	129	2 434
Impairment losses recognized in profit or loss		46	25	62	133
Impairment losses reversed in profit or loss					
Foreign currency translation effects		-2	-2	-11	-15
Transfers					
To and from non-current assets held for sale					
To and from investment property					
Other changes			1	-1	-1
Ending balance	40 301	1 257	3 182	1 013	45 753
Amortization financial year	21 623	4 133	6 024	767	32 547
Amortization previous year	1 350	471	485	129	2 434
Cumulated Amortization	22 973	1 191	1 977	302	26 443

26 Financial liabilities designated at fair value through the income statement

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

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

This fair value amounted to a total of EUR 1.613 million with a nominal amount of EUR 1.403 million on 31 December 2014.

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 rise of EUR 47 million of the fair value of the liabilities.

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

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

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

Counterparty breakdown 2014.12 in '000 EUR	Carrying amount	Amount of cumulative change in fair values attributable to changes in credit risk	Difference between the carrying amount and the amount contractually required to pay at maturity
Deposits from credit institutions			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Deposits (other than from credit institutions)			
Current accounts / overnight deposits			
Deposits with agreed maturity			
Deposits redeemable at notice			
Other deposits			
Debt certificates (including bonds)	1 613 123	46 487	-207 297
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1 613 123	46 487	-207 297
Convertible			
Non-convertible	1 613 123	46 487	-207 297
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**1 613 123**	**46 487**	**-207 297**
control			

Counterparty breakdown 2013.12 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)	1 387 504	57 474	-139 321
Certificates of deposits			
Customer saving certificates (also when dematerialised)			
Bonds	1 387 504	57 474	-139 321
Convertible			
Non-convertible	1 387 504	57 474	-139 321
Other			
Subordinated liabilities			
Other financial liabilities			
Accrued Expense (if accounted for separately)			
TOTAL	**1 387 504**	**57 474**	**-139 321**

27 Deposits

Counterparty breakdown 2014.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions					94 212
Current accounts / overnight deposits					24 777
Deposits with agreed maturity					69 422
Deposits redeemable at notice					12
Other deposits					
Deposito's (andere dan van kredietinstellingen)	33 053	1 041 149	1 173 500	14 831 186	17 078 887
Current accounts / overnight deposits	14 732	315 934	746 530	1 571 025	2 648 220
Deposits with agreed maturity	18 250	666 019	212 403	2 119 460	3 016 132
Deposits redeemable at notice					
Other deposits	71	59 196	214 567	11 140 700	11 414 535
Special deposits					
Regulated deposits	71	48 468	114 490	11 137 774	11 300 802
Mortgages related deposits					
Other deposits		10 728	100 077	2 927	113 733
Deposit guarantee system					
Debt certificates (including bonds)					3 288 697
Certificates of deposits					
Customer saving certificates (also when dematerialised)					
Bonds					242 347
Convertible					
Non-convertible					242 347
Other					3 046 351
Subordinated liabilities					168 667
Other financial liabilities					2 976 563
Accrued expenses (if accounted for separately)					
TOTAL					23 607 027

Counterparty breakdown 2013.12 in '000 EUR	Central governments	Non credit institutions	Corporate	Retail	Total carrying amount
Deposits from credit institutions					612 882
Current accounts / overnight deposits					3 424
Deposits with agreed maturity					47 065
Deposits redeemable at notice					
Other deposits					562 392
Deposits (other than from credit institutions)	49 699	1 656 904	1 257 508	13 926 147	16 890 259
Current accounts / overnight deposits	8 913	425 596	928 516	1 266 991	2 630 016
Deposits with agreed maturity	40 763	1 045 598	227 712	1 973 860	3 287 933
Deposits redeemable at notice					
Other deposits	24	185 710	101 280	10 685 296	10 972 310
Special deposits		120	97 640	2 757	100 517
Regulated deposits	24	29 300	3 640	10 682 539	10 715 503
Mortgages related deposits					
Other deposits		156 290			156 290
Deposit guarantee system					
Debt certificates (including bonds)					2 955 117
Certificates of deposits					20 997
Customer saving certificates (also when dematerialised)					160 419
Bonds					2 773 701
Convertible					
Non-convertible					2 773 701
Other					
Subordinated liabilities					250 003
Other financial liabilities					917 372
Accrued expenses (if accounted for separately)					
TOTAL					21 625 633

28 Subordinated liabilities

Maturity date 2014.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		25 686		
Current year +2		9 924		
Current year +3		45 020		
Current year +4		12 014		
Current year +5		4 129		
Current year +6		3 505		
Current year +7		2 911		
Current year +8				
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		65 478		
TOTAL		168 667		

Maturity date 2013.12 in '000 EUR	Convertible subordinated debts	Non convertible subordinated debts	Other term subordinated debts	Subordinated advances
Current year				
Current year +1		30 734		
Current year +2		22 873		
Current year +3		10 140		
Current year +4		14 040		
Current year +5		11 645		
Current year +6		4 219		
Current year +7		3 581		
Current year +8		2 975		
Current year +9				
Current year +10				
More than current year +10				
Perpetuals		149 796		
TOTAL		250 003		

29 Financial obligations retained for trading objectives

Counterparty breakdown in '000 EUR	2014.12	2013.12
Deposits from credit institutions		
Current accounts / overnight deposits		
Deposits with agreed maturity		
Deposits redeemable at notice		
Other deposits		
Derivatives held for trading	6 240 730	2 889 252
Short positions	9	14
In equity instruments		
In fixed income instruments	9	14
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	6 240 739	2 889 266

30 Other liabilities

Carrying amount in '000 EUR	2014.12	2013.12
Employee benefits	2 531	552
Social security charges	29 614	27 910
Servicing liabilities for servicing rights		
Leasing liabilities		
Accrued charges (other than from interest expenses on financial liabilities)	1 858	3 146
Income received in advance	2 756	2 042
Other debts	30 191	22 285
Other	0	103
TOTAL	66 951	56 038

31 Provisions

2014.12 in '000 EUR	Restructuring	Provisions for Tax litigation and pending legal issues	Pensions and other post retirement benefit obligations	Loan commitments and guarantees	Other provisions	TOTAL
Opening balance	87	35 128	154 052	825	11 037	201 130
Additions			10 303	1 926	111 800	124 029
Amounts used	87	1 172	15 566		877	17 701
Unused amounts reversed during the period						
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences						
Other movements		634	24 409	-968	-2 398	21 679
Closing balance		34 590	173 199	1 784	119 563	329 137

2013.12 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	81	35 403	186 648	827	11 237	234 196
Additions	29	375	10 327	1 998	3 379	16 108
Amounts used		1 010	2 341	1 993	1 415	6 760
Unused amounts reversed during the period	23	382	13 696		2 141	16 241
Acquisitions (disposals) through business combination						
Increase in the discounted amount (passage of time) and effect of any change in the discount rate						
Exchange differences				-7	-23	-30
Other movements		744	-26 886			-26 142
Closing balance	87	35 128	154 052	825	11 037	201 130

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

Provisions for tax disputes

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

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

Ongoing legal disputes

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

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

Pensions and other benefit liabilities on the basis of allocated pension schemes

The majority of these involve the provision under IAS19. For further details and information we refer to the Section "Post-employment and other long-term benefits ".

Other provisions

Here, in 2014, provisions were increased by EUR 109 million. In 2014, these consist primarily of provisions of EUR 100 million for foreign exchange risk in Hungary.

In addition, a commission was created in 2014 for the centralisation planned by the bank in Berchem (EUR 1 million) and a provision for exit mechanisms (EUR 8 million).

32 Contingent liabilities and commitments

OFF-BALANCE SHEET COMMITMENTS Notional Amounts in '000 EUR	2014.12	2013.12
Loan commitments	-30 275 981	-27 717 478
Given	1 188 333	1 020 057
Received	-31 464 314	-28 737 535
Received credit lines	-3 118 114	-589 834
Received collateral loans	-23 276 939	-22 370 540
Received collateral repos	-5 069 261	-5 777 161
Financial guarantees	-2 913 210	-1 393 887
Given	21 898	1 387 437
Guarantees received	-2 935 108	-2 781 324
Credit derivatives received		
Other commitments (e.g. note issuance facilities, revolving underwriting	13 055 776	10 719 184
Given to another counterparty	13 055 776	10 719 184
Received from another counterparty		

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

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

This is discussed in further detail below :

Liabilities due to loans

For granted liabilities involving commitments to retail clients.

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

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

Financial guarantees

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

Other liabilities

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

Encumbered assets

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

Deposit protection fund

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

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

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

33.1 DEFINED CONTRIBUTION PLANS

Contributions were recorded in the income statement for an amount of EUR 2.1 million at 31 December 2014.

AXA Bank Europe has established 12 retirement plans, 7 of which are legally structured as defined contribution plans.

Because of the Belgian legislation applicable to the second pillar pension schemes (the Vandenbroucke Law), all Belgian pension contributions of the defined contribution-type must be considered under IFRS as defined benefit pension plans. The Vandenbroucke Law states that under the defined contribution-type plan, the employer must ensure a minimum return of 3.75% on the employee's personal contributions and 3.25% on the employer's benefits component.

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

To date, AXA Bank Europe has not applied defined benefit accounting to these pension plans because higher discount rates are applied and the performance of the underlying assets is sufficient to cover the minimum return guarantee. If the current low interest rate environment persists, the aforementioned financial risk for pension plans with minimum guaranteed fixed returns will increase, requiring AXA Bank Europe to assess the potential need to recognise these pension plans in keeping with the defined benefit plans.

AXA Bank Europe produced an estimate of the additional contingent liabilities at 31 December 2014. They were deemed insignificant. For information, a few key figures for these pension plans are given below for active members:

- employer contributions for 2014: EUR 2.1 million
- employee contributions for 2014: EUR 0.02 million
- the amount of reserves at 31 December 2014: EUR 9.7 million.

33.2 Defined Benefit Plans

The plans evaluated are of the final salary defined-type benefit. These plans are subject to prudential and social standards applicable in Belgium, in particular the law on supplementary pensions (LPC).

The assumptions used in the valuation of each plan at 31 December 2014 are based on the following characteristics of the Belgian economy:

	2014	2013	2012	2010	2009
Discount rate	1,80%	3,40%	2,20%	4,20%	4,30%
Inflation rate	2,00%	2,00%	2,00%	2,00%	2,00%
Percentage of salry increase	3,00%	3,50%	3,50%	3,50%	3,50%

Health care costs progress at an estimated 3.5% yearly.

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

The normal retirement age is 65 years in order to comply with the expected long-term trends, in particular because of changes to the legal level in this field.

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%

All of these assumptions have been set in keeping with the statistical observations on the populations concerned as well as with the economic expectations. Regarding the discount rate, it was fixed taking into account the duration of the commitments which run for some 15 years at the end of 2014, against 14 in 2013.

A decrease of 0.5% in the discount rate would change the DBO (defined benefit obligation) to +7.6% for pension plans and +11.5% for the other plans and service costs during the period of +8.92% for pension plans and +15.0% for other plans.

An increase of 0.5% discount rate would reduce the BOD by -7.0% for pension plans and by -9.7% for the other plans while cutting service costs during the period from -88% for pension plans and -14.62% for other plans.

An increase of 0.5% in the inflation rate would change the BOD by +4.68% for pension plans while service costs during the period would increase by 7.84% for these same plans.

An increase of 0.5% in the inflation rate for medical costs would give rise to an increase in DBO of 13.43% for the other plans while service costs during the period would increase by 8.11% for these same plans.

An increase of 0.5% in salaries would increase BOD for pension plans by 7.42% while service costs during the period would increase by 9.32%.

The discount rate is determined at the reporting date from the market rate for first-class bonds (in reference to AA rating) and depending on the duration and characteristics of the plans.

33.3 Variation annual pension commitments and other benefits

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

- service costs during the period representing *the increase* in the actuarial liability for an additional year of seniority;
- interest on the actuarial liability representing the cost of discounting over one year (Interest *Cost)* ;
- employee contributions;
- changes of plans (modification, curtailment, settlement, acquisitions and disposals, etc.);

- actuarial profits and losses due to changes in assumptions and to experience.
- the benefits paid by the employer and by the *assets.*

33.4 Information presented in the statement of financial position

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

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

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

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

The table below shows the changes in the benefit obligation and changes in plan assets for pension plans and other benefits under the Plan Assets category and Separate Assets at 31 December 2014.

"Other Benefits" include post-employment benefits other than pensions, i.e. medical benefits.

(in EUR '000's)	Retirement 2014	Retirement 2013	Other benefits 2014	Other benefits 2013
Changes in the commitment				
Actuarial liability at the start of the period	126 615	145 185	10 753	21 433
Service cost	6 253	5 605	280	709
Interest on the actuarial liability	4 265	3 148	373	486
Employee contributions.	680	1 063	0	0
Modification, curtailment, (incl. acquisitions and disposals, etc.)	0	0	0	0
Actuarial profits and losses due to changes to experience.	1 351	625	313	-3 957
Actuarial differences resulting from change in the hyp for Demographics	0	9 598	0	-5 031
Actuarial differences resulting from change in the hyp for Financials	16 726	-20 378	4 678	-2 797
Benefits paid	-11 121	-18 231	0	-90
Benefits paid directly by the employer.	0	0	-106	0
Amendment to IAS 19 (cf. Note 1.General principles)	0	0	0	0
Effect of exchange rate changes	0	0	0	0
Actuarial liability at the end of period (A)	**144 769**	**126 615**	**16 291**	**10 753**
Evolution of Plan Assets hedging				
Fair value of assets at beginning of period	11 283	11 582	0	0
Implicit return on assets	368	249	0	0
Actual return on plan hedging assets, excluding the implicit return on assets	350	0	0	0
Employer contributions.	117	70	0	0
Employee contributions.	5	44	0	0
Incoming (outgoing) transfers (incl. acquisitions and disposals)	0	0	0	0
Benefits paid	-1 053	-662	0	0
Effect of exchange rate changes	0	0	0	0
Fair value of assets at end of period (B)	**11 070**	**11 282**	**0**	**0**
Changes in Separate Assets				
Fair value of assets at beginning of period	80 888	84 076	0	0
Implicit return on assets	2 717	1 778	0	0
Actual return on plan hedging assets, excluding the implicit return on assets	996	1 557	0	0
Employer contributions.	7 441	10 027	0	0
Employee contributions.	675	1 019	0	0
Incoming (outgoing) transfers (incl. acquisitions and disposals)	0	0	0	0
Benefits paid	-10 068	-17 569	0	0
Effect of exchange rate changes	0	0	0	0
Fair value of assets at end of period	**82 649**	**80 889**	**0**	**0**
Funding of liabilities				
Underfunded plans (plan by plan)	-133 699	-115 333	-16 291	-10 753
Overfunded plans (plan by plan)	0	0	0	0
Unfunded commitments (B) - (A)	-133 699	-115 333	-16 291	-10 753
Unrecognised past service cost				
Cumulative impact of asset ceiling				
Liabilities recorded in the statement of financial position (excluding Separate Assets)				
Recognised assets	11 070	11 282	0	0
Provisions recorded	144 769	126 615	16 291	10 753
Net position (excluding Separate Assets)	**-133 699**	**-115 333**	**-16 291**	**-10 753**
Net economic funding (including: Separate Assets)				
Net position (excluding Separate Assets)	-133 699	-115 333	-16 291	-10 753
Fair value of Separate Assets at end of period	82 649	80 889	0	0
Net economic funding (including: Separate Assets)	-51 050	-34 444	-16 291	-10 753

This variation is mainly explained by changes in financial assumptions, the discount rate falling from 3.40% in late 2013 to 1.80% end 2014 and the rate of wage increase dropping from 3.50% in late 2013 to 3.00% in late 2014.

The table below shows the breakdown by pension scheme for 2014.

(in EUR '000's)	Retirement				
	TOTAL	AXA Bank	ex IPPA	ex anhyp	Pension Fund
Changes in the commitment					
Actuarial liability at the start of the period	126 615	73 785	37 245	1 851	13 735
Service cost	6 253	4 889	1 339	0	26
Interest on the actuarial liability	4 265	2 530	1 227	58	450
Employee contributions.	680	675	0	0	5
Modification, curtailment, (incl. acquisitions and disposals, etc.)	0	0	0	0	0
Actuarial profits and losses due to changes to experience.	1 351	-247	802	-41	837
Actuarial differences resulting from change in the hyp for Demographics	0	0	0	0	0
Actuarial differences resulting from change in the hyp for Financials	16 726	11 104	3 865	140	1 616
Benefits paid	-11 121	-4 736	-5 038	-295	-1 053
Benefits paid directly by the employer.	0	0	0	0	0
Effect of exchange rate changes	0	0	0	0	0
Actuarial liability at the end of period (A)	**144 769**	**88 000**	**39 440**	**1 713**	**15 616**
Evolution of Plan Assets hedging					
Fair value of assets at beginning of period	11 283	0	0	0	11 283
Implicit return on assets	368	0	0	0	368
Actual return on plan hedging assets, excluding the implicit return on assets	350	0	0	0	350
Employer contributions.	117	0	0	0	117
Employee contributions.	5	0	0	0	5
Incoming (outgoing) transfers (incl. acquisitions and disposals)	0	0	0	0	0
Benefits paid	-1 053	0	0	0	-1 053
Effect of exchange rate changes	0	0	0	0	0
Fair value of assets at end of period (B)	**11 070**	**0**	**0**	**0**	**11 070**
Changes in Separate Assets					
Fair value of assets at beginning of period	80 888	43 701	35 913	1 274	0
Implicit return on assets	2 717	1 496	1 180	42	0
Actual return on plan hedging assets, excluding the implicit return on assets	996	811	183	1	0
Employer contributions.	7 441	4 657	2 594	191	0
Employee contributions.	675	675	0	0	0
Incoming (outgoing) transfers (incl. acquisitions and disposals)	0	0	0	0	0
Benefits paid	-10 068	-4 736	-5 038	-295	0
Effect of exchange rate changes	0	0	0	0	0
Fair value of assets at end of period	**82 649**	**46 604**	**34 832**	**1 213**	**0**
Funding of liabilities					
Underfunded plans (plan by plan)	-133 699	-88 000	-39 440	-1 713	-4 546
Overfunded plans (plan by plan)	0	0	0	0	0
Unfunded commitments (B) - (A)	-133 699	-88 000	-39 440	-1 713	-4 546
Unrecognised past service cost					
Cumulative impact of asset ceiling					
Liabilities recorded in the statement of financial position (excluding Separate Assets)					
Recognised assets	11 070	0	0	0	11 070
Provisions recorded	144 769	88 000	39 440	1 713	15 616
Net position (excluding Separate Assets)	**-133 699**	**-88 000**	**-39 440**	**-1 713**	**-4 546**
Net economic funding (including: Separate Assets)					
Net position (excluding Separate Assets)	-133 699	-88 000	-39 440	-1 713	-4 546
Fair value of Separate Assets at end of period	82 649	46 604	34 832	1 213	0
Net economic funding (including: Separate Assets)	**-51 050**	**-41 396**	**-4 608**	**-500**	**-4 546**

33.5 Annual Pension and other benefits exepense

Annual pension and other benefits expense recorded in the income statement (included in "cost of pension obligations and other benefits" presented in Note 26.1) is presented below at 31 December 2014 and 31 December 2013:

(En '000 EUR)	Retirement		Other benefits	
	2014	2013	2014	2013
Annual pension expense and other benefits				
Service cost	6 934	6 668	280	709
Curtailments and settlements	0	0	0	0
Employee contributions.	-680	-1 063	0	0
Interest on the actuarial liability	4 265	3 148	373	486
Implicit return on Plan assets/separate assets	-3 085	-2 027	0	0
Annual pension expense and other benefits	**7 433**	**6 725**	**653**	**1 195**

The table below shows the breakdown by pension scheme for 2014.

(In '000 EUR)	Retirement				
	TOTAL	AXA Bank	ex IPPA	ex anhyp	Pension Fund
Annual pension expense and other benefits					
Service cost	6 934	5 564	1 339	0	31
Curtailments and settlements	0	0	0	0	0
Employee contributions.	-680	-675	0	0	-5
Interest on the actuarial liability	4 265	2 530	1 227	58	450
Implicit return on Plan assets/separate assets	-3 085	-1 496	-1 180	-42	-368
Annual pension expense and other benefits	**7 433**	**5 922**	**1 386**	**16**	**108**

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

Change in the provision recorded in the statement of financial position between 1 January 2014 and 31 December 2014 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 display changes in the liabities recorded in the statement of financial *position* (with Separate Assets added at the end of each financial year)

The Separate Assets represent the fair value of assets backing the obligations under defined benefit plans covered by both insurance policies at AXA Bank Europe that give direct rights to employees and by insurance policies with related parties which are outside the consolidation scope. In such circumstances, these assets are not qualifiable as assets Plans deducted from the commitments but represent reimbursement rights recognised as Separate Assets in accordance with the recommendations of IAS 19. Assets and insurance technical reserves (in the case of entities in the consolidation scope) also remain in the consolidated balance sheet.

The change in net economic funding commitments between 1 January 31 2014 and 31 December 2014 reflects the changes in the provision recognised in the accounts of AXA Bank Europe and the changes in Separate *Assets.*

(in '000 EUR)	Retirement		Other benefits	
	2014	2013	2014	2013
Progression in the provision recorded in the statement of financial position				
Provision presented in the statement of financial position at the start of the period	**-115 332**	**-133 603**	**-10 753**	**-21 433**
Annual pension expense and other benefits	-10 826	-9 523	-653	-1 195
Adjustment due to Separate Assets	0	0	0	0
Employer contributions.	117	70	0	0
Employer benefits	0	0	106	90
Benefits paid by Separate Assets	10 068	17 569	0	0
Incoming (outgoing) transfers / transfers (including acquisitions and disposals).	0	0	0	0
Incoming/(outgoing) transfers of Separate Assets to Plan Assets	0	0	0	0
Actuarial gains and losses recognized in the SoCI component	-17 727	10 155	-4 991	11 784
Amendment to IAS 19 (cf. Note 1.General principles)	0	0	0	0
Effect of exchange rate changes	0	0	0	0
Provision presented in the statement of financial position at end of period	**-133 699**	**-115 333**	**-16 291**	**-10 753**
Fair value of Separate Assets at end of period	82 649	80 889	0	0
Net economic funding for commitments at end of period	**-51 050**	**-34 444**	**-16 291**	**-10 753**

The table below shows the breakdown by pension scheme for 2014.

.

(In '000 EUR)	TOTAL	Retirement			
		AXA Bank	ex IPPA	ex anhyp	Pension Fund
Progression in the provision recorded in the statement of financial position					
Provision presented in the statement of financial position at the start of the period	**-115 332**	**-73 785**	**-37 245**	**-1 851**	**-2 451**
Annual pension expense and other benefits	-10 826	-8 094	-2 566	-58	-108
Adjustment due to Separate Assets	0	0	0	0	0
Employer contributions.	117	0	0	0	117
Employer benefits	0	0	0	0	0
Benefits paid by Separate Assets	10 068	4 736	5 038	295	0
Incoming (outgoing) transfers / transfers (including acquisitions and disposals).	0				
Incoming/(outgoing) transfers of Separate Assets to Plan Assets	0				
Actuarial gains and losses recognized in the SoCI component	-17 727	-10 857	-4 668	-99	-2 103
Amendment to IAS 19 (cf. Note 1.General principles)	0				
Effect of exchange rate changes	0				
Provision presented in the statement of financial position	0				
at end of period	**-133 699**	**-88 000**	**-39 440**	**-1 713**	**-4 546**
Fair value of Separate Assets at end of period	82 649	46 604	34 832	1 213	0
Net economic funding for commitments at end of period	**-51 050**	**-41 396**	**-4 608**	**-500**	**-4 546**

33.7 Upcoming outflows (benefits paid and employer contributions)

A) Estimated future benefit payments

Expected future benefits amounted to EUR 5.3 million for 2014 and EUR 4.9 million for 2015. These amounts may vary depending on economic conditions in future years.

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

Entities must annually pay the cost to benefits for which the contributions are determined as a percentage of pensionable salary depending on the age or the seniority of the beneficiaries. The estimated amount of employer contributions payable in 2014 for pension commitments is EUR 24.2 million. These amounts may vary depending on economic conditions in future years and represents contributions not directly related to the IFRS annual pension expense and other benefits.

33.8 Asset allocation at end of 2014

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

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

Regarding the existing Anhyp former regime, as of 1 July 1983, the funding vehicle is a pension fund. The financial assets contribution to the pension fund at 12.2014 is 20.7% shares, 79.3% bonds.

33.9 Other deferred compensation

AXA Bank Europe provides hospitalisation coverage to employees who retire. The guarantees offered are similar to those offered during the period of activity for a large part of the employees. AXA Bank Europe finances a part of these benefits granted to employees after retirement.

In 2014, these payments represent EUR ,0.7 million net of employee contributions.

34 Share-based payments

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

The total burden for AXA Bank Europe is not significant.

34.1 AXA S.A. share options

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

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

The following table provides an overview of current options.

Changes in the course of the year (25.3.1 tb 1)

2014.12	Options (in thousands)	Average price (EUR)
Outstanding at 1/1	643,3	
Allocations	37,0	18,68
Capital increases	0,0	
Subscriptions	-10,2	16,90
Options expired and cancelled	24,3	17,87
Movements within the Group	-134,6	
Outstanding at 31/12	559,7	19,20

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

Date of grant	Exercise Price	outstanding	exercisable
2004-03-26	16,90 €	0,00	0,00
2005-03-29	19,70 €	111 733,00	111 733,00
2006-03-31	27,75 €	87 248,00	87 248,00
2007-05-10	32,95 €	77 567,00	77 567,00
2008-04-01	21,00 €	52 750,00	52 750,00
2009-03-20	9,76 €	26 896,00	26 896,00
2010-03-19	15,43 €	38 957,00	38 957,00
2011-03-18	14,73 €	59 844,00	39 896,00
2012-03-16	12,22 €	28 500,00	9 500,00
2013-03-22	13,81 €	39 200,00	0,00
2014-03-24	18,68 €	36 960,00	0,00

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

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

34.2 AXA Share Plan

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

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

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

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

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

The AXA Group has proposed to its employees within the framework of the Group employees shareholding policy that they subscribe to a reserved capital increase for a price of EUR 14.75 for the traditional plan (20% discount when compared to the reference price of EUR 18.43 calculated based on the average of the 20 closing prices on the stock exchange before the date of the announcement) and EUR 16.44 for the leverage plan (10.80% discount when compared to the reference price) during the past financial year. The AXA Bank Europe employees subscribed for an amount of EUR 0.418 million.

	Traditional shareholder plan	Plan with leverage	Traditional shareholder plan	Plan with leverage
Plan Duration (in years)	5	5	5	5
[A] Discount	20.00%	10.80%	20.00%	12.95%
Reference price (in EUR)	18.43	18.43	17.97	17.97
Subscription price (in EUR)	14.75	16.44	14.38	15.64
Market borrowing rate (in fine) for the participant	6.50%	6.91%	7.40%	7.59%
5 year Risk-free interest rate (Euro zone)	0.48%	0.48%	0.77%	0.77%
Dividend Yield	6.19%	6.19%	5.94%	5.94%
Early exit rate	0.98%	0.98%	1.14%	1.14%
Securities lending rate (repo)	0.20%	0.20%	0.30%	0.30%
volatility spread retail / institutional	N/A	3.30%	N/A	2.78%
[B] Cost of the unavailability period for the market participant	19.64%	10.76%	19.73%	12.88%
[C] opportunity profit assessment	N//A	2.05%	N/A	2.45%

34.3 AXA Miles

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

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

34.4 Other payments in shares

- Performance Shares

Performance Shares are allocated to senior members and key employees of the AXA Group. The number of performance shares distributed amongst employees of the Belgian scope is insignificant. From 2013 they are only performance shares. No further performance units were distributed.

- Performance Units

AXA pays out performance units to its senior members and key employees.

During the the rights acquisition period, the initially allocated performance units are subject to a performance criterion outside the stock exchange.

For the allocations that were made before 2010, the entity that employed the beneficiary paid 100% of the calculated value in cash when the number of definitively acquired performance units was smaller than 1000. When the number of the definitively acquired performance units was greater than or equal to 1000, the entity who employed the beneficiary paid 70% of the calculated value in cash and 30% of the definitively acquired performance units was invested in AXA shares at the expense of the beneficiary with a retention period of at least 2 years.

The entity that employs the beneficiary shall pay the first half of the performance units definitively acquired on that date in cash at the end of the acquisition period with regard to the allocations made in 2010. A year later, the entity that employs the beneficiary shall pay the second half in cash on the condition that the employee is still part of the Group. Before the conclusion of the second half, beneficiaries can decide to be paid out in full or in part in AXA shares.

The definitive number of performance units will be known for the allocations made in 2011 and 2012 after 2 years and the performance units will be paid out in cash a year later by the entity who employs the beneficiary on condition that the beneficiary is still part of the Group on this date.

The payment expected on the date of the payment will be adjusted at the close of each financial year and they will be written off over the rights acquisition period (pro rata temporis) for the performance units paid out in cash.

From 2013, performance units were no longer allocated to AXA Bank Europe employees, with solely Performance Shares being allocated.

35 Government grants and government assistance

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

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

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

36 Equity

EQUITY	2014.12 in '000 EUR	2013.12 in '000 EUR
Subscribed capital	**681 318**	**546 318**
Other equity	**90 000**	
Equity component of compound	**581**	
Revaluation reserves	**108 677**	**-34 746**
Revaluation of available-for-sale financial assets	235 392	-2 203
Deferred tax	-79 987	-21
	155 405	-2 224
Actuarial gains/losses relating to promised pension schemes	-46 094	-24 065
Deferred tax	15 668	8 180
	-30 427	-15 885
Foreign currency translation	2 693	3 267
Cash flow hedges	-23 308	-30 152
Deferred tax	4 313	10 249
	-18 995	-19 903
Other reserves (including results carried forward)	**289 343**	**297 532**
Result for the financial year	**-48 150**	**-12 223**
Total equity	**1 121 769**	**796 882**

The issued capital amounts to 681,318 K euros and consists of 395,911,750 shares without making a reference to the nominal value. It was paid up in full. In September 2014, there was a capital increase of EUR 135 million and, without maturity of new shares, the share total has not changed.

The other capital equity instruments issued consist of the issue of Perpetual Subordinated Convertible Securities in September 2014.

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

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

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

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

37 Profit allocation and dividends per share

The Board of Directors recommends carrying forward all losses of the financial year together with the results to the following financial year. Dividends will, therefore, not be distributed.

38 Cash and cash equivalents

	2014.12 in '000 EUR	2013.12 in '000 EUR
Components of cash and cash equivalents:	0	0
On hand (cash)	72 434	76 916
Cash and balances with central banks	278 228	338 886
Loans and receivables	35 812	25 154
Available-for-sale assets		99 919

39 Related-party transactions

Amounts payable to and receivable from related parties **2014.12** **in '000 EUR**	*Parent*	*Parent entities with joint control*	*Subsidiaries*	*Associates*	*Joint ventures where the entity is a venturer*	*Key management of the entity or its parent*	*Other related parties*	*TOTAL*
Balance sheet								
Assets : loans and advances			5 917			1 171	5 396 049	5 403 137
Current accounts								
Term loans			5 917			1 171	5 396 044	5 403 132
Finance leases								
Consumer Credit								
Mortgage loans								
Other							6	6
Equity instruments								
Trading securities								
Investment securities								
Other receivables								
TOTAL ASSETS			**5 917**			**1 171**	**5 396 049**	**5 403 137**
Liabilities : deposits	29 686		628					30 314
Deposits	29 686		628					30 314
Other borrowings								
Other financial liabilities								
Debt certificates								
Subordinated liabilities								
Share based payments								
Granted								
Exercised								
Other liabilities							438 966	438 966
TOTAL LIABILITIES	**29 686**		**628**				**438 966**	**469 280**
Derivatives (Notional amounts)							**84 660 624**	**84 660 624**
Interest rate swaptions							12 151 484	12 151 484
Interest rate IRS							61 729 648	61 729 648
Equity instruments TRS							4 620 656	4 620 656
							6 158 836	6 158 836
Ohter items off-balance-sheet							6 898 137	6 898 137
Guarantees issued by the group							1 413 702	1 413 702
Guarantees received by the group							5 484 434	5 484 434
Provisions for doubtful debts								

Income and expences from related-party transactions **2014.12** **in '000 EUR**	*Parent*	*Parent entities with joint control*	*Subsidiaries*	*Associates*	*Joint ventures where the entity is a venturer*	*Key management of the entity or its parent*	*Other related parties*	*TOTAL*
Profit or loss								
Expenses								
Interest expenses	3						696 596	696 599
Foreign exchange								
Fees and commissions							10 377	10 377
Insurance premiums								
Rendering of services								
Purchase of goods, property and other assets								
Transfers								
Other								
TOTAL EXPENSES	**3**						**706 973**	**706 976**
Income								
Interest Income							717 960	717 960
Foreign exchange								
Fees and commissions							3 590	3 590
Dividend income								
Insurance premiums								
Receiving of services								
Sales of goods, property and other assets								
Transfers								
Other								
TOTAL INCOME							**721 550**	**721 550**

Amounts payable to and receivable from related parties 2013.12 in '000 EUR	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	TOTAL
Balance sheet								
Assets : loans and advances			4 602			575	5 850 868	5 856 045
Current accounts								
Term loans			4 602				5 058 481	5 063 083
Finance leases								
Consumer Credit						1		1
Mortgage loans						574		574
Other							792 387	792 387
Equity instruments							194 727	194 727
Trading securities							194 727	194 727
Investment securities								
Other receivables			109				386 830	386 940
TOTAL ASSETS			**4 711**			**575**	**6 432 425**	**6 437 711**
Liabilities : deposits	3 846		277				1 581 845	1 585 968
Deposits	3 846		277				88 510	92 633
Other borrowings							1 493 335	1 493 335
Other financial liabilities							45 814	45 814
Debt certificates							45 814	45 814
Subordinated liabilities								
Share based payments								
Granted								
Exercised								
Other liabilities							2 682	2 682
TOTAL LIABILITIES	**3 846**		**277**				**1 630 341**	**1 634 464**
Derivatives (Notional amounts)								
Interest rate swaptions							14 929 080	14 929 080
Interest rate IRS							54 200 023	54 200 023
Equity instruments TRS							4 570 362	4 570 362
Ohter items off-balance-sheet							4 574 906	4 574 906
Ohter items off-balance-sheet								
Guarantees issued by the group							895 315	895 315
Guarantees received by the group							5 484 132	5 484 132
Provisions for doubtful debts								

Income and expences from related-party transactions 2013.12 in '000 EUR	Parent	Parent entities with joint control	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Key management of the entity or its parent	Other related parties	TOTAL
Profit or loss								
Expenses								
Interest expenses							13 642	13 642
Foreign exchange								
Fees and commissions							4 655	4 655
Insurance premiums								
Rendering of services								
Purchase of goods, property and other assets								
Transfers								
Other							36 756	36 756
TOTAL EXPENSES							**55 053**	**55 053**
Income								
Interest Income			34				11 370	11 404
Foreign exchange								
Fees and commissions							5 533	5 533
Dividend income								
Insurance premiums								
Receiving of services								
Sales of goods, property and other assets								
Transfers								
Other			93				9 975	10 068
TOTAL INCOME			**127**				**26 878**	**27 005**

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

Related party transactions taking place at arm's length.

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

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

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

Key management Compensations in '000 EUR	2014.12	2013.12
Short-term employee benefits	3 290	2 968
Post-employment benefits		
Other long-term benefits	113	197
Termination benefits		
Share based payments	191	105
TOTAL	3 594	3 270

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

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

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

40 Lease agreements

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

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 2014.12 in '000 EUR	Net carrying amount	Total future minimum lease payments	Net present value of the total future minimum lease payments	Future minimum sublease payments expected to be received under non-cancelable subleases	Contingent rents recognized in income
For the lessee - Residual maturity					
< 1 year	143				
> 1 year ≤ 5 years	2 297				
> 5 years	56				
TOTAL NOMINAL AMOUNT	2 496		1 777		

Assets held under an operating lease as a lessee 2013.12 in '000 EUR	Net carrying amount	Total future minimum lease payments	Net present value of the total future minimum lease payments	Future minimum sublease payments expected to be received under non-cancelable subleases	Contingent rents recognized in income
For the lessee - Residual maturity					
< 1 year	169				
> 1 year ≤ 5 years	2 495				
> 5 years	57				
TOTAL NOMINAL AMOUNT	2 721		1 468		

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

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

Transferor : Repo No derecognition of transfers of financial assets out of : 2014.12 in '000 EUR	Equity instruments	Debt instruments	Loans and advances	Other	Total
Financial assets held for trading					
Financial assets designated at fair value through profit or loss					
Available-for-sale financial assets		8 063 668			8 063 668
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		8 063 668			8 063 668

Transferor : Repo No derecognition of transfers of financial assets out of : 2013.12 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		9 024 405		1 289 040	10 313 446
Loans & receivables (including finances leases)					
Held-to-maturity investments					
Other					
TOTAL		9 024 405		1 289 040	10 313 446

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

See also Chapter 43 on offsetting.

Transferor : Liabilities (financing obtained) 2014.12 in '000 EUR	Total
Repo	
Credit institutions	1 717 132
Other than credit institutions	6 657 971
Total	8 375 103

Transferor : Liabilities (financing obtained) 2013.12 in '000 EUR	Total
Repo	
Credit institutions	2 966 575
Other than credit institutions	6 293 153
Total	9 259 728

Transferee : Assets (financing granted) 2014.12 in '000 EUR	Total
Reverse repo	
Credit institutions	
Other than credit institutions	4 291 852
Total	4 291 852

Transferee : Assets (financing granted) 2013.12 in '000 EUR	Total
Reverse repo	
Credit institutions	117 060
Other than credit institutions	5 212 545
Total	5 329 605

42 Financial relationships with auditors

Carrying amount in '000 EUR	2014.12
	PWC
Remuneration of the auditor(s)	524
Remuneration for exceptional activities or special commissions performed within the company by the auditor(s)	
Other audit activities	*275*
Advisory activities	
Other activities outside audit activities	*32*
Remuneration of persons with which the auditor (s) is (are) connected to the exercise of a mandate on the level of the group of which the company that publishes the information at the head	57
Remuneration for exceptional activities or special commissions performed within the company by persons associated with the auditor(s)	
Other audit activities	*8*
Taks advice	*5*
Other activities outside audit activities	*2*

Notifications in application of Article 133, paragraph 6 of the Companies Code

43 Offsetting

AXA Bank Europe does not apply offsetting. Restrictions do not apply to the received collateral.

Below, an overview of the derivatives, repo and reverse-repo transactions and the corresponding received and issued securities (in EUR '000).

The payment and receipt of remuneration for the repo / reverse repo / derivatives activity are in line with market conditions and are not linked to any special requirement.

Net derivatives position - Summary	2014.12	2013.12
Derivatives held for trading - Assets	6 412 156	2 982 637
Derivatives held for trading - Liabilities	-6 240 730	-2 889 266
Derivatives - hedge transactions (micro hedge) - Assets	169 925	174 097
Derivatives - hedge transactions (micro hedge) - Liabilities	-444 579	-128 593
Derivatives - hedge a portfolio (macro - hedging) - Assets	2 134	13 004
Derivatives - hedge a portfolio (macro - hedging) - Liabilities	-656 146	-406 631
Total	-757 240	-254 752

Repo - Reverse repo - Activity - Summary	2014.12	2013.12
Loans and advances: Reverse repo transactions	4 291 841	5 329 605
Financial liabilities associated with transferred financial assets: repo	-8 375 103	-9 259 728
Total	-4 083 262	-3 930 123

Collateral for derivatives: net impact	2014.12	2013.12
Government paper - given	581 821	231 709
Total	581 821	231 709

Collateral Repo: given	2014.12	2013.12
Government	8 218 019	4 815 475
Government related	171 863	1 199 678
Corportate debt		3 186 011
Total	8 389 882	9 201 164

Collateral Reverse repo: received	2014.12	2013.12
Government	-5 069 261	-5 777 161
Total	-5 069 261	-5 777 161

Cash Collateral: given - received	2014.12	2013.12
Cash: given - received	926 344	535 768
Totaal	926 344	535 768

Net position - Summary	-11 716	6 605

The overall net position indicates that the position and the warranty largely cancel each other out.

44 Segmented information

The segmented information model contains information based on by geographical segment as well as on business units.

The split based on geographical segment (that is to say, countries) is based on the location where the operational commercial services are being offered. These commercial services comprise the range of deposits and loans offerng for private clients. The results of the special purpose entities (for the issue of EMTNs, covered bonds and the securitisation of loans) are included in the Belgian results.

The Financial Services business unit encompasses the centralized functions of ALM (asset and liabilities) and treasurer, as well as the IT center of Poland.

Transactions between the different business units are carried out professionally and objectively (arm's length principle). The following basic principles are primarily applied in this context:

- Service Level Agreements
  AXA Bank Europe subsidiaries outsource various services to AXA Bank Europe headquarters. Among these, the most important ones are risk management, internal audit, ALM and the management of liquidities/cash resources. The results of these services are allocated according to the provisions and

conditions between headquarters and each subsidiary. Internal service level agreements make detailed arrangements with regard to tasks and responsibilities of the supportive services.

- Funds Transfer Pricing
  The management of cash resources and ALM within AXA Bank Europe is centralised. With a view of transferring the interest rate risk of the commercial activities to the centralised ALM, the Funds Transfer Pricing system is used. This means that deposits that are provided for safekeeping by the commercial business units are reinvested at the central ALM and that the loans allocated by the commercial business units are financed by the central ALM while using the Funds Transfer Pricing interest rate.
- Allocation of ALM results
  In addition to the commercial margin, AXA Bank Europe may grant a conversion margin for its retail activities. The parameters used for determining said grant are economic capital together with assets and liabilities of the retail activities.

Country-by-country reporting:

Situation as of 31 December 2014

A	Name	AXA BANK EUROPE N.V.	AXA BANK EUROPE N.V.	AXA BANK EUROPE N.V.
	Activity	Credit institution	Credit institution	Information technology support
	Location	Belgium	Hungary	Poland
B	Turnover (in '000 EUR)	239 317	47 503	0
C	Average FTE	881	340	6
D	Profit - Loss before taxes	74 080	-125 264	5
E	Tax expense (income) related to profit or loss from continuing operations	-2 437	-546	-45

Situation as of 31 December 2013

A	Name	AXA BANK EUROPE N.V.	AXA BANK EUROPE N.V.	AXA BANK EUROPE N.V.	AXA BANK EUROPE N.V.	AXA BANK EUROPE N.V.
	Activity	Credit institution	Credit institution	Credit institution	Credit institution	Information technology support
	Location	Belgium	Hungary	Czech Republic	Slovakia	Poland
B	Turnover (in '000 EUR)	200 029	48 514	-5 941	-622	0
C	Average FTE	969	350	37	1	8
D	Profit - Loss before taxes	11 944	-10 417	-18 649	-4 030	197
E	Tax expense (income) related to profit or loss from continuing operations	9 354	-588	0	0	-35

45 Cessation of activities

There was no cessation of activities for 2014.

46 Events after the balance sheet date

No events worth mentioning occurred after the balance sheet date that have an impact on the figure for the 2014 financial year.

Brussels, 20 March 2015

Board of Directors

Jacques de Vaucleroy, President
Emmanuel de Talhouët, Vice-President
Frank Koster (since 1 November 2014)
Jef Van In
Emmanuel Vercoustre
Stéphane Slits (since 1 February 2014)
Jeroen Ghysel (since 1 February 2014)
Françoise Gilles (Since 1 November 2014)
Sabine Rycker
Patrick Lemoine
Marc Bellis (since 22 July 2014)
Philippe Rucheton (since 24 April 2014)
François Robinet
Dominique Bellec (until 31 October 2014)
Irina Buchmann (until 31 January 2014)
Jacques Espinasse (until 24 April 2014)
BVBA M.B.I.S., represented by Marc Bellis (until 21 July 2014)

Management Committee

Jef Van In, President
Emmanuel Vercoustre
Sabine Rycker
Stéphane Slits (since 1 February 2014)
Jeroen Ghysel (since 1 February 2014)
Françoise Gilles (since 1 November 2014)
Irina Buchmann (until 31 January 2014)
Dominique Bellec (until 31 October 2014)

Audit Committee

Philippe Rucheton, President
Patrick Lemoine

Nomination Committee and Remuneration Committee

Jacques de Vaucleroy, President
Marc Bellis

Risk Committee

Patrick Lemoine
Philippe Rucheton

Auditor

Auditors: PwC, Réviseurs d’entreprises, SCRL, represented by Tom Meuleman (accredited auditor)

AXA BANK EUROPE

Management Report 2014

Message from the President and from the Managing Director

2014 will go down as a key year in the ongoing transformation of AXA Bank Europe.

In February, the management of the bank announced the launch of a strategic three-year plan to strengthen the structural profitability of retail banking activities in Belgium.
This plan is built on three main pillars: Products, Distribution and Costs.
It has hardly taken us a year to achieve substantial progress on each one of these pillars.

- Our products: We have thoroughly reviewed our entire product range to make it simple and transparent. We are constantly enhancing our customers' digital experience, whether for example by our mobile application or our new web site;
- Our distribution: We have initiated various actions that are part of a long term plan geared to providing improved support to our independent agents;
- Our costs: together with staff representatives and agent representatives, we have been seeking solutions to improve cost control. On 1 October 2014, these negotiations led to the signature on the one hand of a new Collective Labour Agreement, and on the other hand, a new agreement on commissions. Both of these are in line with the bank's strategy.

Other measures, undertaken in years prior, complement our bank's transformation plan:

- In September 2014, we took advantage of market conditions to finalise the liquidation of our structured bond portfolio primarily composed of RMBS, managed in run-off since 2008. Our bank's balance sheet no longer contains a single structured bond
- Regarding our business in Hungary, the commercial activities related to mortgage loans have been managed in run-off since 2011. In concrete terms, that means that no new loan has been granted since that date. Moreover, in 2014, the Hungarian parliament voted a series of three laws aimed at regulating (mortgage) loans by covering three areas (i) compensating customers for certain past practices, (ii) the conversion of loans in foreign currencies into loans in HUF and (iii) the application of strict rules for calculating new rates. These laws impact our results in 2014, but definitively reduce the exchange risk arising from our lending activities in Hungary.

2014 was also the year for putting into place the single oversight mechanism for European banks. Following the financial crisis of 2008, Europe decided to create a single supervisory mechanism for banks and on 4 November 2014, the European Central Bank (ECB) effectively became the single supervisor for European banks.
This year, as part of the implementation framework of this mechanism, all of the major European banks underwent stress tests as well as a comprehensive risk assessment. This exercise was intended to reveal any weaknesses in the banks' balance sheets.
The AXA group anticipated the result of the pessimistic scenario of the ECB stress test by strengthening AXA Bank Europe capital to be able to comply with the requirements of the ECB comprehensive risk assessment. That confirms that AXA Bank Europe is a reliable partner and a financially sound bank for its 800,000 Belgian customers.
Two portfolios managed in run-off significantly impacted the test results: in accordance with the ECB's rules regarding overall risk assessment, AXA Bank Europe was obliged to simulate the pursuit of its credit businesses in Hungary until 2016 although no credit has been granted in the country since 2011. What is more, it was required to consider that the

redefining / standards AXA

portfolio of structured bonds was maintained, although it had been completely liquidated in September 2014. These two assumptions gave rise to a capital requirement of 224 million euros. Following a "Tier 1" capital increase of 225 million euros (including the issue of a contingent convertible bond) in September 2014, AXA Bank Europe meets ECB requirements.

In a highly challenging market, with a clear strategy focused on our Belgian business, radically simplified and closer to our customers, we pursue our transformation and look forward to 2015 with confidence.

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A. A. *The economic and financial context*

1. Overall context[1]

In 2014, economic activity worldwide continued to grow at the same rhythm as the year prior, that is, 2.6%.

In the USA, growth came in at 2.4%, helped in particular by accommodative monetary policy and more favourable financial and budgetary conditions. The consolidation of the balance sheets of households and the healthier housing market also helped boost growth.

A timid recovery has been observed in the Euro Area[2] (0.9%) which has been supported by monetary policy that has also been accommodating, improvement in credit conditions with a clear compression of spreads for countries in difficulty and long-term interest rates at their lowest level in core European countries in the area. Growth in the Euro Area remained nevertheless uneven from one country to the next: in Spain, growth (1.4%) was supported by foreign demand and increased domestic demand resulting from improved financial conditions and renewed confidence. Germany (1.6%) remains the economic locomotive of the Euro Area economy, despite forecasts being revised downward, primarily due to a weaker recovery in domestic demand. There was practically no growth (0.4%) in France.

Weak growth (0.9%) in Japan was affected by a drop in domestic demand following an increase in the consumption tax. In most other developed countries such as[3] Canada, Norway, the United Kingdom and Sweden, growth remains solid.

In both emerging and developing countries, growth[4] (4.8%) was supported by a strengthening in domestic demand and the recovery in foreign demand linked to accelerated growth in the developed countries.

In China (7.4%), after a 1st quarter of 2014 that was weaker than expected, authorities took measures that contributed to stimulating GDP growth.

Growth in the Commonwealth of Independent States[5] deteriorated significantly (1.5% against 4.0% in 2013) due to sharp deterioration in the economic situation in the course of the year. Growth was quite weak in Russia, (0.7%) as a result of low levels of investment and confidence tested by geopolitical tensions and resulting sanctions.

International financial markets remained well positioned in 2014 despite a contrasted 2nd quarter marked by geopolitical tensions between Russia and Ukraine. The Dow Jones Industrial Average tacked on 7.5% while the DJ Europe Stoxx 50 advanced 1.2%.

2. Belgian economic environment in 2014 [6]

Belgian economic activity strengthened gradually (GDP 1% against 0.3% in 2013) under the effect of a timid recovery in the economic outlook in Europe and improved domestic demand.

Household consumption increased in 2014 (1.0% vs 0.3% in 2013) boosted in particular by ongoing improvement in the labour market. The household saving rate fell slightly (13.4% against 15.1% in 2013). As in the prior year, savings are comprised of products that are increasingly liquid as seen by the historically high amount of savings deposits regulated in Belgium (190.5 billion euros at year-end 2014).

Business investment jumped again (3.7% excluding exceptional events) supported by increased exports and imports (in particular by an easing in credit conditions). Bankruptcies fell significantly (8.2%[7]) but remain nevertheless at a high level relative to the average of years prior.

Stronger economic growth in 2014 boosted job creation (15,500 jobs or 0.3%). These failed however to absorb the increase in the active population, such that the number of unemployed increased further. In 2014, the harmonised unemployment rate[8] increased slightly by 0.1% to 8.5%.

Belgian exports increased by 3.3%. This was due on the one hand to steady improvement in the international outlook and, on the other hand, the recent depreciation in the euro. Growth in volume of Belgian imports (2.9%) hovered below that of exports. Consequently, net exports (0.4%) were a plus for economic growth.

In 2014, inflation hardly changed at 0.3% against 1.1% in 2013. It slowed due to a drop in energy costs, in part related to a reduced TVA rate on electricity for domestic use. The impact of wage restraint this year together with productivity gains also helped keep inflation at bay.

The European Central Bank lowered its refinancing rate to 0.05% this year to counter the persistent weakness in inflation and weak recovery in growth in the Euro Area. The rate of the 10-year OLO continued its fall, finally settling at historically low levels (0.92% in December 2014). Moreover, the ECB launched a quantitative easing program through the repurchase of covered bonds and asset-backed securities on the financial markets and implied a significant program of sovereign debt redemption for the purpose of stimulating growth and stopping the deflationary spiral.

[1] Source: World Bank, World Economic Outlook, January 13, 2015.
[2] Source : Eurostat
[3] According to the OECD
[4] Source: World Bank, World Economic Outlook, January 13, 2015.
[5] CEI represents the countries of the former Soviet Union including Russia, Ukraine, Armenia, Azerbaijan, Belarus, etc.)
[6] Source: BNB, Economic Indicators, March 2, 2015
[7] According to Graydon's figures published in January 2015
[8] Eurostat Definition

3. Hungarian economic environment in 2014

The Hungarian economy has been climbing its way out of recession since the second quarter of 2013 with GDP growth of 1.1% over 2013 as a whole. In 2014, GDP growth accelerated at an annual average rhythm of 3.6% over the first three quarters.

Between the beginning of 2010 and the second quarter of 2013, the unemployment rate ranged between 10.5% and 11.8%, with a peak of 11.8% at the beginning of 2013. It has sharply dropped since then, with unemployment falling to 8.9% in January 2014 and 7.2% in November 2014, its lowest rate since July 2007.

Real estate prices crumbled some 20% between mid-2008 and the end of 2013. They rose by 1.7 % in the first quarter of 2014, revealing some green shoots in the market. Additionally, the Hungarian Central Bank's monetary policy and the widespread trend towards home ownership point to a recovery in the market.

The public deficit was negative at 2.1% and 2.2% in 2013 and 2014 respectively, in line with EU recommendations not to exceed 3%. The Hungarian national debt had increased continually between 2002 and 2011 before contracting between 2011 and 2014 from 82.2% to 79.2% of GDP.

In 2014, the Hungarian parliament voted a series of three laws aimed at regulating three areas i) compensating customers for certain past practices, (ii) the conversion of loans in foreign currencies into loans in HUF and (iii) the application of strict rules for calculating new rates.

- The "Unfair Banking Law" of 4 July 2014, considered that interest rates for loans set unilaterally by the banks were unfair. Banks must compensate their customers in 2015 retroactively in this respect.
- "The Conversion Plan" of 25 November 2014 sets the terms of conversion of foreign currencies into loans in HUF. This conversion shall take place in the first quarter of 2015 with exchange rates set at 256.47 for the CHF/HUF and 308.97 EUR/HUF since November. Since this plan imposes very strict compulsory conditions for remaining in foreign currencies, it should virtually eliminate the foreign currency loans in Hungary in 2015.
- "The Fair Banking Law" that was also voted on 25 November 2014 precisely sets forth future loan pricing, with application in the first quarter of 2015.

Finally, the Hungarian Central Bank continued with its new round of monetary easing. The basic interest rate fell from 7% in August 2012 to a record low of 2.1% that has remained stable since August 2014.

B. B. Results of activities

1. Belgian retail bank

As explained in the introduction, as part of the AXA Bank Europe transformation plan, a complete repositioning of the product range was conducted with simplicity in mind. The marketing positioning has been strengthened and measures were taken to improve the quality of our services and our processes.

To provide support for this strategy, the notion of client "first bank" was introduced and the agent commission system has been revised.

Simplification of the product range: The goal was to ensure that each product corresponded to FAST criteria (Fair, Attentive, Simple, Transparent) to form a coherent and simplified product range.

1. All superfluous products were eliminated and complicated products were simplified. AXA Bank Europe's product range was thus reduced from 58 products in December 2013 to 44 products in December 2014.
2. Priority was also given to transparency regarding the rates applied by AXA Bank Europe:
   - Simplification of rate schedules, rates updated, etc.
   - Careful study was given to the competitive position of each product;
   - The rate sheets were streamlined to make them more readily understandable for customers;
   - Derogations concerning instalment loans, current accounts and savings accounts were limited or stopped so that the rate indicated is always the rate applied.

New marketing positioning: A first campaign with the new AXA Bank Europe style was launched at the end of the year. This new style will be used throughout the axabanque.be site on posters, brochures, in campaigns, etc. This style conveys a feeling of proximity and simplicity. The regular communication that AXA Bank Europe maintains with its customers has thus been redesigned and improved.

Supporting the distribution network: With a view to increasing the professionalism of our independent agents, two major projects have been put in place:

- Front2Back: AXA Bank Europe increased the commercial availability of its agents by optimising the time devoted to services. Certain key processes such as estates and banking mobility were simplified by making "quick-wins" or by sharing best practices. Agents can thus devote more time to the regular contact and advice given to their clients.
- Axaler@ction: strengthening the sales pitch through the deployment of a training program for agents adapted to the new AXA Bank Europe transformation strategy.

The "first bank" customer has become the focus of concern for AXA Bank Europe. A first bank customer holds at least one active current account and two other banking products.
Negotiation of commission income: on 30 September 2014, an agreement was entered into with the joint consultative body of AXA Bank Europe agents concerning the new schedule of commissions applicable at 1 January 2015. Under this agreement,

- the commission schedule for AXA banking agents is aligned with the Bank's new strategy;
- Commissions have been revised downward.

Meanwhile, the bank intends to continue to grow its key businesses.

A. Savings and Investment

In 2014, overall growth in the savings and investment portfolio derived essentially from the transformation of the portfolio of the Crest insurance product and reached 382 million euros. Against a backdrop of low interest rates, three products were promoted for further increasing this growth: savings accounts, EMTNs and Funds.

A.1. Savings

The strategy is reflected by positive inflow to savings accounts. AXA Bank Europe experienced moderate growth (424 million euros in 2014 against 1.028bn euros in 2013), with the slowdown in growth also apparent in the marketplace.
For term deposits and certificates of deposit, negative inflow of 210 million euros was observed against a backdrop of low rates.
In keeping with these criteria, as well as with the overall goal of simplifying the product range:

AXA

- The number of products has been revised downward and it was decided to merge certain products;
- The rate structure was simplified;
- Internet, agency and home banking services were aligned.

Regular launches of Optinote (an EMTN product) were conducted. Gross EMTN production came to 129 million euros in 2014 against 148 million euros in 2013. This decrease clearly displays the increasing difficulties in structuring this type of product in a low-rate environment.

A.2. Investment:

Relaunching the investment range is essential in a low-rate environment where we see our customers taking on greater risk

- Since the beginning of 2014, a limited selection of AXA IM Funds was put forward for the purpose of focusing and concentrating agents' efforts. This selection of funds was then allocated to the different types of investor profiles so that each customer finds what is most suitable for them.
- Implementation of MiFID advice without a portfolio occurred in 2014. A new tool will be deployed in 2015 for MiFID with portfolio and agent training will take place during the first quarter.
- The portfolio of investment banking products has stabilised for the first time in years.

Net volumes (€ '000's)	2013	2014
AXA Funds	-25.1	18.5
Others	-40.7	-24.8

B. Credits

B.1. Housing Credits:

For AXA Bank Europe, 2014 was a record year for production of housing credits. Growth was buoyed by low rates, as much by the issue of new credits as by the level of internal and external refinancing, and the change to the housing bonus fiscal measures announced for 2015.

Moreover, the quality of the cases presented clearly improved in 2014 as a result of the measures taken in the years prior, e.g. the adaptation of the schedule of "minimum available revenue", the revision of certain clauses and the elimination of the "comfort" clause.

Sales (€'000'000's)	2013	2014
Housing credit (total)	2,190	3,212
Including internal refinancing	168	878

B.2. Instalment Loans:

Volumes declined in 2014 in comparison with 2013, since AXA Bank Europe decided to not take part in the rates war at the beginning of the year.

B.3. Commercial loans:

Having reviewed the potential of this segment, AXA Bank Europe decided to revise its offer in commercial loans with the goal of gradually increasing volumes. These loans would first be granted to existing AXA Belgium and AXA Bank Europe customers.

- A new, simple and transparent offer, will be available from March 2015;
- The approval process and rate schedules were simplified insofar as possible.

Sales (in millions)	2013	2014
Instalment loans	339	287
Commercial loans	239	232

C. Daily Banking

The current accounts were simplified. There are now two types of accounts. The free current account, st@rt2bank, by which the customer can carry out all transactions on his or her own. The second account which comes with a charge, the comfort2bank, is a current account that allows subscribers to use the ATM for certain operations and services. This account also includes additional possibilities such as a line of credit. In order to simplify pricing, the services are grouped into a package with a flat-rate price. Development of first bank customers became a priority in 2014.
AXA Bank Europe continuously strives to align its efforts and investments with its digital strategy. One example of this is its new tablet application with its publicity campaign at the end of the year. As a result, we note a robust increase in online customers using home banking services or mobile banking.
These developments, which are also supported by the first bank customer strategy, are responsible for the significant growth displayed by the different indicators in the daily banking business:
In 2014, 18,792 new current accounts were opened. 58% of these are used regularly.

D. Margins and earnings:

Net profit for the Belgian retail banking business came to 48 million euros, some 39 million euros more than the year prior. This was brought about through a healthy production and improved commercial margins on assets and liabilities alike.
In an environment generally characterised by falling interest rates, AXA Bank Europe has managed to strengthen its margin on the inventory of housing credits (25 basis points greater than last year), reflecting historically high production margins over the last few years. Successive drops in customer rates on savings and current accounts helped AXA Bank Europe ((hereinafter "ABE") limit the impact of falling market rates.

2. Treasury & Intermediation

The bank's Treasury & Intermediation Department provides support service to AXA Bank Europe retail businesses and to certain life insurance businesses of the AXA Group.

A. Retail banking support:

Here, we are primarily dealing with balance sheet management, treasury and the structuring of EMTN bond issues intended for retail customers as well as covered bonds for institutional investors. These activities ensure suitable management of all balance sheet risks, monitoring of liquidities and financing the bank balance sheet over a mid-term horizon of 5 to 10 years.

The Asset and Liability Management framework (ALM) at AXA Bank Europe is an essential component of balance sheet management. Its main purpose is to manage AXA Bank Europe's exposure to risks involving interest rates, exchange rates, liquidity and financing, while respecting the applicable regulatory limits in both the banking sector and the internal framework for limiting risk.

Ongoing rate reductions by the ECB together with its quantitative easing make transformation of the banking business virtually impossible. ABE nevertheless took advantage of these circumstances to extend the duration of its investment portfolio while maintaining a stable level of amounts outstanding that thus limits the impact on its leverage ratio.
ABE unwound all of its exposure to structured financial assets that was managed in run-off. Our investment portfolio is now composed of sovereign debt, debt covered by state guarantee, national bonds or supranational counterparts of the covered bond variety.

At the beginning of 2014, net credit production (mainly Belgian mortgage loans) was slower than the inflows of savings collected from our customers in the form of savings products and term deposits. During the second and third quarters, remuneration of term deposits and savings products was revised downward in keeping with the fall in market rates. The combined effect of duration hedges and the broadening of the investment portfolio together with growth in net credit production towards the end of the year improved ABE's interest rate risk position.

ABE's short-term liquidity remains comfortable. The outstanding nominal amount of the issues within the framework of our long-term funding programme financing through EMTN (Euro Medium Term Notes) came to 1.47 billion euros at the end of December 2014.
Société de Crédit Foncier (SCF) issued covered bonds for an additional amount of 400 million euros backed by a package of housing credits granted by AXA Bank in France. The ratings given by Moody's and Fitch for this issue were Aaa and AAA, respectively. This covered bond was bought by AXA Bank in France to provide inexpensive long-term financing.

ABE totally eliminated the exchange rate risk in its investment portfolio by selling all non-euro-denominated bonds during the third quarter. The majority of the remaining exposure to exchange rate risk in 2014 corresponds to exposure to Swiss franc (CHF) denominated loans on the AXA Bank Hungary balance sheet. In November 2014, the Hungarian government approved a Law on the conversion of currencies which obliges banks to convert their loans denominated in foreign currencies into Hungarian forints, thus eliminating exchange rate risk for the customer. ABE's exposure to loans in CHF was covered for 95% of 592 million Swiss francs (equivalent to 494 million euros) in November and December by spot and forward transactions.

B. Support to the AXA Group:

For the AXA Group, it is mainly transactions in derivative instruments or those enhancing liquidity that are carried out. In addition to a high-quality transaction service, AXA Group entities can also rely on a range of services spanning from the valuation of their transactions in derivative instruments to the outsourcing of most of the EMIR bonds, by way of collateral management, indispensable for mitigating the credit risk between ABE and AXA group entities.

Although several EMIR target dates scheduled for lending greater transparency to activities on bilateral derivative instruments were postponed, ABE's teams nevertheless managed to implement the EMIR obligations ahead of time. The first central clearing was actually carried out in January 2012, and backloading of interest rate swaps, standardised by way of LCH, one of the certified central clearinghouses, was carried out for several major portfolios in 2014. Reporting for all derivative products in a central repository, the Trade Repository was also added to the services offered to the AXA Group entities for the execution and negotiation of derivative instruments.

C. Earnings

Treasury & Intermediation operating activities resulted in earnings of 29 million euros, up 7 million euros from 2013. Transformation possibilities are limited against an economic backdrop of falling rates and flattening yield curves, resulting in a reduced net transformation margin of 17 million euros. Moreover, FS is reaping the benefits of strict cost control. At 39 million euros, costs have sunk by 7 million euros over 2013. Finally, changes in the fair value of derivatives resulted in an increase in income of 22 million euros in comparison with 2013.

3. Hungarian branch

A. Market conditions

Central Bank monetary policy was encouraged by the drop in inflation. It fell from 0.0% to -0.7% between January and November 2014.

FX: The Hungarian forint (HUF) pursued its slow depreciation, with the rate falling from 297 HUF for 1 EUR at 1 January 2014 to 315 at 1 January 2015.

B. Savings activities

The strategy for mitigating credit portfolio risks was maintained in 2014, with a dynamic management of the savings portfolio. The main goals for 2014 were (i) profitably stabilising the savings portfolio by developing sales of new product associations, (ii) optimising financing of the HUF loan portfolio, (iii) maintaining the capacity to generate positive net inflows.

The savings portfolio suffered a 4% drop to 401 million euros outstanding at the end of December 2014.

The main factors behind this drop were:

- A preferential interest rate environment that has been constantly eroding since 2012 to finally settle at 2.1% at the end of 2014;
- Improvement in the product mix since 2012, when short-term savings accounts were introduced accompanied by a significant reduction in volume of long-term savings accounts:
- Business innovation:
    - creating a new sales model with a direct and flexible point of sale for increasing the number of accounts opened;
    - The development of MobilosOKÉ, a mobile application that won the MasterCard Prize for best mobile application on the Hungarian market in 2014;
    - the development of partnerships and products with innovative entities such as (i) TransferWise in order to offer a competitive price for the transfer of money in currencies, (ii) Bausparkasse for offering interesting yields on long term real estate savings products.

C. Credit Activities

Since December 2011, the AXA Bank Europe loan portfolio in Hungary has been managed in run-off. Its volume has shrunk by 35% in 3 years and is now at 1.066 billion euros at the end of 2014. During 2014, the portfolio contracted by 8%.

In 2014, the strategy of reducing exposure to portfolio risks continued. For example, the volume of loans not hedged against exchange risk fell by 27% during 2014, primarily due to the GRS (Government Rescue Scheme) programme that provides customers with an advantageous fixed exchange rate, with the difference deposited on an escrow account with interest to be repaid following a fixed term. This programme has government financial support in the form of a tax incentive.

Additionally, active management of non-performing loans was implemented (i) by making new loans available with low monthly payments to borrowers in financial difficulty, (ii) through mechanisms for assistance with the sale of properties and (iii) by optimising the utilisation of governmental programmes such as help from the National Asset Management Company (NAMaC) that facilitates the sale of loans to a social institution with a recovery rate of close to 50% for difficult cases.

D. Earnings

Net income for AXA Bank Europe in Hungary came in at -125.6 million euros in December 2014, including an exceptional provision of €101m for compensation of customers resulting from the law on Unfair Banking. Excluding these exceptional charges, net income improved by 3.1 million euros to -21.4 million euros. The primary factor that explains this improvement is the reduction in the cost of risk by 11 million euros, to 16.8 million euros in 2014, due to underlying improvement in the credit portfolio and the stabilisation in real estate prices in 2014. This improvement is partially compensated by (i) a reduction in net banking income of 27% to 24.3 million euros resulting from a drop in net margin on interest in line with the erosion of the portfolio, (ii) a drop in interest rates, and (iii) exceptional amortisation of activated commissions generated by the future conversion of the foreign currency borrowings.

In addition, the administrative costs and taxes remained under control with a reduction of 5% to 28.8 million euros.

C. Comments on the consolidated results

1. Comments on the profit and loss accounts

A. Net interest income

Net interest income amounted to 279.4 million euros in 2014. This figure exceeds the level of the previous year by 12%, in particular due to selective production volumes and higher sales margins that are only partially offset by a lower level of investment income (ALM). Moreover, the net interest margin of retail banking activities in Belgium reached 232.3 million euros in 2014, 31 million euros better than last year.

B. Net fee and commission income

Commissions paid to the agent bank portfolio for retail banking in Belgium reached 93.1 million euros in 2014, a result 3.7% lower than in 2013, mainly due to a one-off reduction in commissions of 3.4 million euros agreed with the agent banks.

Distribution commissions paid to the agent bank for retail banking in Belgium amounted to 25 million euros in 2014. This is a significantly lower amount (-13%) than in 2013 that is mainly justified by the exceptional levels of repayments and refinancing in the fourth quarter of the year.

C. Capital gains

Capital gains of €40.4 million were realised in 2014, 18% lower than the year prior. It includes 22.4 million euros in realised losses on the portfolio of structured notes, which was fully divested during the 3rd and 4th quarters.

D. Administrative expenses

Administrative expenses came in at 271.9 million euros in 2014, 18 million euros less compared to the previous year. The decrease in costs is explained by the closing of Czech and Slovak branches in 2013 (total costs in 2013 of €8.5m), and by strict cost control related to retail banking, IT and support functions. These decreases were only partially offset by further increases in bank charges in Belgium reaching € 40.8 million (+ 25%).

The cost-income ratio of the results for the Belgian territory reached 73% in 2014, a significant improvement on the figure of 77% in 2013.

E. Provisions for loan losses

Credit losses for the Belgian retail business reached €22.5m in 2014, €2.6m less than during the previous year. The portfolio consists primarily of housing credit (85% of portfolio) where the cost of risk on the entire credit portfolio in Belgium is 14 basis points over 2014. This is stable compared to 2013.

With the risk measures taken since 2013 and one-off write backs in some specific cases, credit losses decreased in 2014. This however was offset in part by the introduction of the new definition of non-performing loans by the European Banking Authority (EBA).

F. Net profit (loss)

The net loss for AXA Bank Europe was €48 million. The loss is entirely due to exceptional provisions that ABE was required to establish in response to the new Hungarian legislation on loans in foreign currency (EUR 101 million).

To give a clear picture of AXA Bank Europe net loss, we provide an adjusted presentation of this result by splitting it between the results of activities in Belgium on the one hand and the Hungarian activities on the other.

Net profit (loss)	2013	2014
AXA Bank Europe		
- Belgium	31.2	77.6
Other entities	-43.1	-125.6

The foregoing clearly shows that the net profit of €77.6 million for 2014 in Belgium represents a significant improvement compared to the results of 2013.

2. Comments on the balance sheet and off-balance sheet

The size of the balance sheet of AXA Bank Europe reached 42.6 billion euros (5.8 billion euros higher on the balance sheet at year-end 2013). Actually, AXA Bank Europe is buoyed by a rise in market values of its derivatives resulting from the general decline in the market interest rate (up 3.4 billion euros). Moreover, the size of the balance sheet (assets and liabilities) of the retail banking activities in Belgium increased in line with the AXA Bank Europe plan.

3. Change in the consolidation scope

At 31 December 2014, the scope of consolidation for AXA Bank Europe included the following companies: AXA Bank Europe SA, including branches in Hungary and Poland, Royal Street SA, AXA Belgium Finance BV and the Société de Crédit Foncier (SCF).

4. Change in shareholding

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

D. *Comments regarding the statutory accounts and allocations of earnings*

The loss for the year amounts to 34,618,822.03 euros. The deferred loss for fiscal 2013 was 16,247,770.65 euros. Consequently, the negative cumulative impact to 31 December 2014 amounts to 50,866,592.68 euros.

The Board of Directors proposes to carry forward the result.

Having regard to Article 96.6 of the Companies Code, and despite the fact that the income statement has shown a loss for the year for three successive years, the board confirms the continuation of the company's activities and justifies the application of continuity accounting rules by the fact that losses originate in the costs related to the transformation plan, the macroeconomic situation in Hungary, and the historically low interest rates. This also appears from the budget years that show a return to profit for years to come.

E. *Significant events after 2014*

No events worth mentioning occurred after the balance sheet date that have an impact on the figure for the 2014 financial year.

F. *Liquidity and solvency*

Liquidity for AXA Bank Europe remained at a comfortable level throughout 2014, as evidenced by the regulatory ratios that exceed 143% for the LCR and NSFR for 122%. 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, with a Tier 1 ratio of 18.2% and a total capital ratio of 20.1% at 31 December 2014. These same fully loaded ratios, i.e. calculated as if Basel III were already in full force, amounted to 20.6% and 21.5% respectively. In addition, the bank's leverage ratio stood at 2.84%[9] at the end of December 2014 or 3.22% when fully loaded. The shareholder AXA strengthened the capital of the bank in September 2014 through a capital increase for an amount of €135 million and intercompany contingent convertible bond issue for 90 million euros.

In 2013, a Capital Management Committee forming a working subgroup of ALCO (Asset/Liability Committee) was set up to cover topics related to the bank's solvency.

G. *Principal risks and uncertainties*

By the nature of its business, AXA Bank Europe is exposed to a number of risks including counterparty risk, the risk of securitization, market risk, currency risk, liquidity risk, and operational risk. These risks are managed within a framework defined by the Board of Directors. The different types of risks are further detailed in Section 4 of the financial statements.

In 2014, AXA Bank Europe participated in the ECB Comprehensive Assessment. Two portfolios of discontinued business have had a significant impact on results: a portfolio of structured notes, managed in run-off since 2008 and fully sold in September 2014, and a portfolio of mortgage loans in Hungary managed in run-off since 2011. The capital increase for an amount of €135 million and the intra-Group contingent convertible bond issue for an amount of EUR 90 million provided by shareholder AXA SA facilitated fulfilment of the ECB requirements.

[9] Pursuant to the EU Regulation on prudential requirements for credit institutions as amended by the delegated Regulation of 10 October 2014 on the leverage ratio.

H. Management bodies and governance

1. Composition of management bodies

	Board of Directors	Manage-ment Committee	Audit Committee	Risk Committee	Nomination Committee and Remuneration Committee
Jacques de Vaucleroy,	President				President
Emmanuel de Talhouët	✓				
Frank Koster, (Since 1 November 2014)	✓				
Jef Van In	✓	President			
Emmanuel Vercoustre	✓	✓			
Sabine de Rycker	✓	✓			
Stéphane Slits (Since 1 February 2014)	✓	✓			
Jeroen Ghysel (Since 1 February 2014)	✓	✓			
Françoise Gilles (Since 1 November 2014)	✓	✓			
Patrick Lemoine	✓		✓	✓	
François Robinet	✓				
Marc Bellis, independent director (Since 22 July 2014)	✓				✓
Philippe Rucheton, independent director (Since 24 April 2014)	✓		President	President	
Irina Buchmann (Until 31 January 2014)	✓	✓			
Dominique Bellec (Until 31 October 2014)	✓	✓			
Jacques Espinasse, independent director (Until 24 April 2014)	✓				
BVBA MBIS represented by Marc Bellis, independent director (until 21 July 2014)	✓				

Auditors : PwC, Réviseurs d'entreprises, SCRL, represented by Tom Meuleman (accredited auditor)

2. Modifications occurring in 2014 and since 1 January 2015

Board of Directors

- appointment of Stéphane Slits, with effect from 1 February 2014;
- appointment of Jeroen Ghysel, with effect from 1 February 2014;
- appointment of Philippe Rucheton, with effect from 24 April 2014;
- appointment of Marc Bellis, with effect from 22 July 2014;
- appointment of Frank Koster, with effect from 1 November 2014;
- appointment of Françoise Gilles, with effect from 1 November 2014;
- resignation of Irina Buchmann, with effect from 31 January 2014 ;
- resignation of SPRL M.B.I.S., represented by Marc Bellis, with effect from 21 July 2014;
- resignation of Dominique Bellec, with effect from 31 October 2014;
- non-reappointment of Jacques Espinasse, with effect from 24 April 2014;
- resignation of Emmanuel de Talhouët with effect from 24 March 2015
- resignation of Stéphane Slits with effect from 31 March 2015

Management committee

- appointment of Stéphane Slits, with effect from 1 February 2014;
- appointment of Jeroen Ghysel, with effect from 1 February 2014;

- nomination Françoise Gilles, with effect from 1 November 2014;
- resignation of Irina Buchmann, with effect from 31 January 2014;
- resignation of Dominique Bellec, with effect from 31 October 2014;
- resignation of Stéphane Slits with effect from 31 March 2015.

3. Competence and independence of the Audit Committee and the Risk Committee

The Audit Committee and the Risk Committee of AXA Bank Europe are composed of Philippe Rucheton and Patrick Lemoine.
The Risk Committee was set up within the Board of Directors by resolution of the Board of 5 December 2014, pursuant to article 27, 2 °, of the Law of 25 April 2014 on the status and supervision of credit institutions.
Its members have the status of non-executive directors. At least one of them must be independent within the meaning of Article 526 of the Companies Code.
It has been operational since 1 January 2015.
Each member has the knowledge, skills and experience necessary for grasping and understanding the strategy and level of risk tolerance of the bank. On these issues, they are to advise members of the Board and to assist them in their role of supervising the implementation of the strategy by the management committee.

Philippe Rucheton was appointed independent director of AXA Bank Europe on 24 April 2014. He is a graduate from Ecole Polytechnique, the Institut Supérieur des Affaires and the Sorbonne. He was a director and CFO of Dexia between December 2008 and March 2014 and assisted with its turnaround. He thus has experience in crisis management. Before that, he served the Société Générale as CFO for the Newedge Group, a brokerage company, 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 BRED Bank and was director for 20 years at Bernard Controls, an industrial company. Philippe Rucheton, 65, thus has extensive experience in the banking and investment business, in general management as well as in financial management and control. He has also been involved in the Belgian company and its market since 2008.

Patrick Lemoine was appointed director of AXA Bank Europe on 1 January 2010. He is a Mining Engineer (EMSE) with a diploma in Higher Accounting Studies, an MBA from INSEAD and is an actuary. He began his career in 1981 with Credit Lyonnais and has since acquired broad experience as technical director in damage insurance and as CFO in the insurance sector in France and Canada.

Accordingly, the Board is able to justify individual and collective responsibility of members of the Audit Committee and Risk Committee.

4. Competence and independence of the Nomination Committee and of the Remuneration Committee

The Nomination and Remuneration Committees of AXA Bank Europe are composed of Jacques de Vaucleroy and Mark Bellis, both non-executive directors.

Jacques de Vaucleroy is a lawyer, a graduate of Catholic University of Louvain (UCL) and has a master's degree in corporate law from the Vrije Universiteit Brussel (VUB). He spent most of his career within the ING Group, where he was a member of the executive committee. He had 23 years' experience in insurance, asset management and banking in Europe and the United States, when in 2010 he was appointed General Manager of AXA North, Central and East Europe (NORCEE). He is a member of the steering committee and the management committee of AXA (FR).

Marc-Antoine Bellis was appointed independent director of AXA Bank Europe from 23 August 2011. He holds a PhD in Law and a degree in Economic Law at the ULB and was assistant for 8 years in tax law. He was a lawyer at the Brussels Bar. He has since gained extensive experience, both at home and abroad, in credit, ALM and risk management and banking. Between 1994 and 2002 he was CEO of Fortis UK and until 2007 CEO Corporate, Institutional & Public Banking for Fortis Group. He was Chairman of the Belgian Luxembourg Chamber of Commerce in Great Britain and director of the Foreign Banks and Securities Houses Association.
Accordingly, the Board is able to justify the individual and collective expertise of members of the Nomination and Remuneration committees.

5. Remuneration policy

A. Remuneration of non-executive directors

The remuneration of non-executive directors of ABE takes into consideration their commitment in relation to the work of the Board. It is in line with market standards.

They are remunerated in the form of directors' fees set by the General Assembly.
In addition, members of the committees created within the Board of Directors receive fixed annual compensation for these specific functions by decision of the Board of Directors, according to the statutes.
Since the non-independent non-executive directors are employees of an AXA entity, their mandate on the ABE Board does not give rise to additional remuneration.
In general, non-executive directors do not receive any variable remuneration.

B. Remuneration of executive directors

B.1. General principles

The remuneration policy applied by AXA Bank Europe is based on the AXA Group's remuneration policy and is part of the regulations and practices of the Belgian market. Its main objective is to align the principles and structure of the remuneration of AXA Bank Europe with sound and efficient management of the company (including risk control).
To ensure the compliance of the remuneration policy, it is reviewed regularly by the Group Management Remuneration and Benefits Board as well as the Board of Directors Compensation Committee.

The policy on Executive compensation must make it possible to:

- attract, develop, retain and motivate the best talent;
- promote superior performance;
- align the compensation levels with the results of the company in strict compliance with risk control policies.

It has three guiding principles:

- compensation competitiveness;
- internal equity, based on individual and collective performance;
- the results and financial capacity of the company and the Group.

The remuneration of persons covered is structured to encourage and reward performance:

- both at the individual and collective level (local business entity and AXA Group);
- in the short term, medium term as well as the long term.

B.2. "Identified Staff" By taking into account the importance and complexity of the body under consideration, this policy concerns the following five categories of personnel (hereafter, the "people concerned"):

- Category 1: The executive members of the Board of Directors (executive directors);
- Category 2: Members of the Executive Committee (commonly referred to as the "Management Board")
- Category 3: Senior management;
- Category 4: Internal control functions, risk management and compliance;
- Category 5: Staff employed in the dealing room.

B.3. Remuneration structure of the Identified Staff

The remuneration of ABE persons referred to comprises a fixed component and a variable component.
The total remuneration does not encourage risk-taking and the fixed component of remuneration remains adequate to allow a flexible remuneration policy on the variable component.
The variable component consists of two parts:

- A non-deferred variable component is determined based on an annual target compensation variable;
- A deferred variable component.

The variable component is configured to represent a substantial part of total compensation so that in case of achieved, non-achieved or exceeded targets, there is flexibility to adjust and differentiate the individual amounts of remuneration.

(i) Performance Measures for non-deferred variable compensation
A non-deferred variable component is determined based on:

- individual performance, set according to the rate of achievement of quantitative and qualitative individual objectives;
- the performance of ABE;
- the performance of the AXA Group as a whole.

Individual performance is measured annually based on two elements:

- achieving business results that are determined on the basis of objectives integrating quantitative and qualitative elements (attitude, taking into account the risks, alignment with the interests of customers, employees and shareholders, annual and multi-year impact);
- behaviour, measured through the AXA Leadership Framework leadership skills model .

The performance of ABE as well as that of the AXA Group is taken into account through the result of the STIC (Short Term Incentive Compensation) Grid. This "STIC Grid" includes key indicators of activities and results weighted respectively and taking into account risk criteria.

The target variable amounts, the performance of the entity and the group determine the STIC (Short Term Incentive Compensation) Pool that will determine the total budget available for individual variable remuneration. In the event of poor performance of the entity and/or group, individual variable remuneration will be automatically decreased proportionately.

(ii) Performance Measures for non-deferred variable compensation

AXA has a long-term compensation plan, the rules of which are determined by the AXA Group policy. These rules can be adapted regularly, particularly in light of decisions taken at the level of the Board of AXA (Group) SA. and the evolving international regulatory framework.

By this method of remuneration based on long-term incentives for employees, a significant portion of variable compensation can be deferred while complying with the requirements of national and international laws and regulations and the requirements of national and international regulators.

The deferred variable component is made up of two main vehicles, namely stock options and Performance Units / Performance Shares.

B.4. Specific rules concerning the variable remuneration of the Identified Staff working on the ABE trading floor

Given the specific nature of the activity of the trading floor, and by comparison with other members of ABE staff, a proportionately larger share of the fixed compensation is allocated as annual variable remuneration (hereinafter 'bonus').

The bonus pool is determined each year. It is calculated based on operating income from trading room activities. The allocation of the bonus between all trading room employees is at the management's discretion and is based on the achievement of quantitative and qualitative individual objectives set at the beginning of the year and in strict compliance of risk control policies.

However, the strict supervision of market activities within ABE does not allow employees to individualize their investment performance significantly. Thus, the amounts distributed as bonuses remain limited in comparison to the practices observed in particular in the trading rooms of international operators.

B.5. Specific rules concerning the variable remuneration of the independent control functions

For independent control functions (risk management, legal and compliance), the remuneration principles set out above are similar.

In 2014, the remuneration principles applicable to control functions have been revised in order to separate the variable remuneration of this category of staff from the performance of the entity.

C. Compensation in the event of termination of the contract

Without prejudice to the application of laws and regulations and the agreements binding the company, severance payments as may be agreed with a person concerned are determined so as not to reward failure.

For members of the salaried staff, ABE ensures the respect of the application of mandatory legal provisions and collective agreements to which it is linked.

If an agreement for the granting of severance pay is concluded with a non-salaried officer, the total compensation awarded will in no case exceed 18 months of fixed and variable remuneration, the maximum being reached for a length of more than 10 years within the AXA Group.

D. Governance

The Board of Directors has decision-making authority regarding the establishment of the remuneration policy and decision-making with regard to the individual remuneration of the persons concerned.

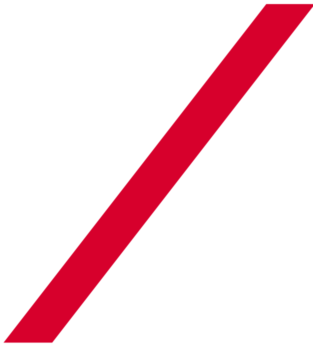
The Remuneration Committee, consisting of non-executive directors, of which at least one is independent within the meaning of the Companies Code, actively contributes to the implementation of the remuneration policy.

The work of the Remuneration Committee consists of proposing, through advice and in accordance with the remuneration policy, the decisions to be taken by the Governing Council on the principles and terms of remuneration. It is thus responsible for preparing the decisions to be taken by the Board of Directors, taking into account the implications

for risk and risk management of the company on the one hand and on the other hand, the long-term interests of shareholders, investors and other stakeholders of the other institution.

The remuneration policy can be reviewed by the Board of Directors acting on a proposal by the Compensation Committee at any time, especially in case of legislative changes related to labour law, tax and accounting as well as in the event of changes to governance rules.

Its implementation shall be subject, at least once a year, to an internal assessment to determine whether it complies with the compensation policies and procedures adopted by the Board of Directors. If necessary, the Remuneration Committee will make proposals to adapt it as necessary.



External functions of the Board of Directors

AXA Director	Position with AXA Bank Europe	Company where the external mandate is carried out	Registered office	Set of activities	Registry on a regulated market	External function performed	Shareholding link with ABE of more than 5%?
Jacques de Vaucleroy	Chairman of the Board of Directors	Delhaize Group	Rue Osseghem 53 1080 Brussels (Belgium)	Food retailer	Euronext Brussels NYSE	Non-executive director	No
Philippe Rucheton	Independent director	Bernard Controls	4, rue d'Arsonval BP 76091 95505 Gonesse (France)	Electro-Mechanical	No	Non-executive director	No
François Robinet	Non-executive director	MicroCred SA	44, rue du Prony, 74017 Paris (France)	Micro-credit with a social purpose	No	Non-executive director	No

AXA BANK EUROPE NV

Statutory auditor's report to the general shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

9 April 2015

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 9 April 2015 on the consolidated financial statements of AXA Bank Europe NV (prepared in the Dutch and French language). The audited consolidated financial statements of AXA Bank Europe NV and the accompanying auditor's report will be deposited and will be available at the National Bank of Belgium (www.nbb.be). The accompanying free translation of the consolidated financial statements has not been audited by PwC Bedrijfsrevisoren/PwC Reviseurs d'Entreprises bcvba/sccrl, so we are therefore only liable in the context of our audit report originally drafted in the Dutch and French language.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AXA BANK EUROPE NV FOR THE YEAR ENDED 31 DECEMBER 2014

In accordance with the legal requirements, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of AXA Bank Europe NV ("the Company") and its subsidiaries (jointly "the Group") for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to EUR '000' 42.641.694 and the consolidated statement of comprehensive income shows a loss for the year of EUR '000' 48.150.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Sint-Stevens-Woluwe, 9 April 2015

The Statutory Auditor
PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba
Represented by

Tom Meuleman
Réviseur d'Entreprises / Bedrijfsrevisor